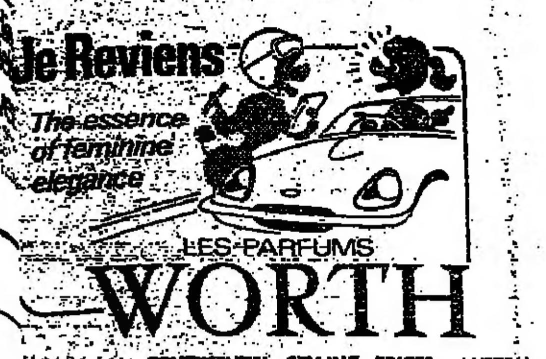

FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

British women shot by rebels

Two British women Salvation Army teachers have been killed by black nationalist guerrillas in Rhodesia. Sharon Swindells, [illegible], from Bangor, Northern Ireland, and Diana Thompson, [illegible], from London, died when the guerrillas attacked their mission school south of Bulawayo.

A man and a woman were also injured in the attack, the second on a mission in the area within a week. It is thought that the guerrillas, believed to be from Joshua Nkomo's ZAPU army, attacked after rounding up the teachers and opened fire. Two missionaries died in the previous attack. Sithole and land laws, Page 4

RUC inquiry

The Government is to hold an inquiry into possible ill-treatment of terrorists by the Royal Ulster Constabulary, Northern Ireland Secretary Roy Mason has announced. Amnesty International is being asked to give evidence.

Naomi returns

Lone round-the-world yachtswoman Naomi James sailed home to a tumultuous welcome in Dartmouth, Devon, after her [illegible]2-day voyage. She clipped two days off the late Sir Francis Chichester's record for the trip.

Drury sentence

Former Flying Squad chief Kenneth Drury, jailed for eight years by an Old Bailey judge for corruptly accepting bribes from former "porn king" James Humphreys, had his sentence cut to five years by the Appeal Court.

Pub hours ruling

The High Court allowed an appeal by Leicestershire police against a magistrate's decision to grant a midnight drinking extension to pub licensee Ian Vintner, so that customers could watch World Cup soccer on bar television.

Rail teas down

British Rail is to cut price of its afternoon teas by up to 30p, in a drive to attract more customers. More than 700 platform staff will next month try out a Continental-look uniform which could replace the present 12-year-old design. British Rail's future hopes — News Analysis, Page 8

Home for Asians

An Asian family of nine, refused accommodation by the local Tory-controlled council, was found a home when the Malawi community in the London borough of Hillingdon clubbed together to secure the family a rented house.

Space probe

As the U.S. and the Soviet Union began talks in Helsinki on controlling production of space vehicles capable of destroying other satellites, the Soviet Union launched eight exploration satellites. Satellite deployment, Page 2

Hospital reprieve

Workers at London's Elizabeth Garrett Anderson hospital, who have spent four years fighting moves to close it, have won a reprieve. Social Services Secretary David Ennals announced that he had postponed the July 21 closure to allow for further discussions.

Briefly . . .

Guy the gorilla, London Zoo's star attraction, died as he was coming out of an anaesthetic after an operation to remove bad teeth. He was 32.

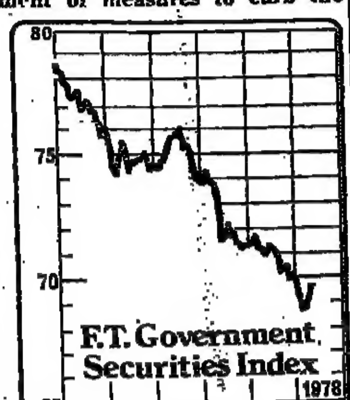
French artist was ordered to pay Fr50,000 (about £6,000) damages for a parody of cartoon character Tintin in which the boy wonder was shown naked.

West German police have smashed a big heroin ring and arrested [illegible] people.

BUSINESS

Upsurge in gilts; equities off 5.6

● GILTS went ahead strongly, encouraged by the announcement of measures to curb the growth in money supply. The FT Government Securities Index rose 0.48 to 69.68.



● EQUITIES, in marked contrast, continued to fall after the announcement but rallied to close above the worst. The FT 30-Share Index closed at 469.3, off 5.6.

● STERLING gained 20 points to $1.8250, although its trade-weighted index was unchanged at 61.2. The dollar's trade-weighted depreciation widened to 5.5 (5.3) per cent.

● GOLD fell 50c. to $182.625. The New York Comex June settlement rate was $182 ($180.70). IMF gold auctions, Page 6

● WALL STREET rose 0.17 to 862.09.

● U.S. MONEY SUPPLY: M1 $349.6bn ($345.4bn); M2 $837.2bn ($831.5bn); commercial and industrial loans at major banks, down $448m (up $1.23bn); fed. funds 7.47 (7.36) per cent; 90-119 day dealer-placed commercial paper 7.34 (7.19) per cent.

U.S. bid to curb State handouts

● WESTERN INDUSTRIAL nations are being urged to agree to curb State aid to "lame duck" industries hit by foreign competition. The U.S. wants agreement on this at the seven-nation economic summit in Bonn next month. Back Page

● STEEL committee may be set up on a permanent basis by the Organisation for Economic Co-operation and Development—to deal with the industry's world-wide problems. Back Page. British Steel will import up to £4m worth of steel because of a strike at Llanwern, South Wales. Page 10. Davignon takes a knock, Page 2. Steel subsidies criticised, Page 3. U.S. steel price rises, Page 6. Slight improvement at Krupp, Page 25.

● CITROEN has signed a contract to build a factory in East Germany to make front-wheel drive transmission systems. Back Page

● GEC has persuaded the Government to drop its insistence that a £5.5m. grant to its Schreiber subsidiary for a new Merseyside factory should be tied contractually to observance of the pay policy But Schreiber has agreed to do everything it can to uphold the pay policy.

● MINERS' union has been offered a form of veto over future pit closures, apparently without the Coal Board's knowledge. Page 10

● AUSTRALIA is relaxing its foreign investment guidelines to encourage the inflow of foreign capital into the mineral industry. Back and Page 22.

COMPANIES

● GRAND METROPOLITAN boosted pre-tax profit to £43.15m. (£27.16m) in the half-year to March 31. Page 21 and Lex

● SECURICOR and its subsidiary Security Services are raising £5.39m in a double rights issue. Page 20 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. [illegible] '81	£101¼	+ ⅜
Treas. 12pc '83	£101⅝	+ 1
Treas. 10pc '92	£87⅛	+ 1
Treas. 6¾pc '95-98	£61¼	+ ¾
Treas. 5½pc '08-12	£48¾	+ ⅞
Allied Retailers	263	+ 8
Assoc. Book Publish.	235	+ 15
Bath and Portland	72	+ 4
De La Rue	350	+ 8
[illegible]	40	+ 4
Heron Motor	135	+ 8
Highland Electronics	34	+ 4
Securicor A	122	+ 6
Security Services	124	+ 5
Burmah Oil	70	+ 4
Anglo Amer. Corp.	322	+ 8
Bishopsgate Platinum	87	+ 6
Bracken Mines	83½	+ 13
Buffels	991	+ 31
Grootvlei	119	+ 9
Hartebeest	£14½	+ ½
Marievale	102	+ 8¼
Rustenburg	86	+ 4
Venterspost	245	+ 16
Western Mining	141	+ 6

FALLS

Albright and Wilson	146	− 8
Assd. Fisheries	49	− 4
Benn Bros.	67	− 4
Cullen's Stores	110	− 6
Electronic Rentals	125	− 6
Lloyds Bank	275	− 7
McCorquodale	270	− 20
Pilkington	478	− 9
Rank Org.	250	− 6
Savoy Hotel A	83	− 4
Tube Invests.	372	− 5
Oil Exploration	250	− 8
Siebens (UK)	358	− 16
Finlay (James)	353	− 9
Guthrie	295	− 22

MLR up a point ● 'Corset' back ● National Insurance rise

Ministers act to save Budget strategy

By PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT was forced yesterday by market pressures and a low level of sales of gilt-edged stock to introduce a package of restrictive monetary and fiscal measures

The stated aim is to demonstrate the Government's determination to stand by its Budget strategy and, in particular, the public sector borrowing ceiling and money supply target.

The package comprises:

● A one-point rise in Minimum Lending Rate to 10 per cent, the first change since the market-related formula was abandonded a fortnight ago;

● The reactivation of the so-called corset controls on the expansion of the bank's interest-bearing deposits in order to squeeze lending; and

● A 2½ per centage point rise in the national insurance surcharge from October, reducing public sector borrowing by £500m in the current financial year. This exactly offsets the revenue lost as a result of the income tax reliefs approved a month ago during the Finance Bill committee stage against the Government's wishes.

The further rise in MLR will almost certainly affect mortgage rates and cause an early rise in the clearing banks' base rates.

The latter is now certain, probably today or on Monday, with a likely rise of at least one point from the present 9 per cent. This would put up the cost of overdrafts to between 11 and 15 per cent.

The reimposition of the corset controls is likely to lead to curbs on lending to the personal sector.

The announcement of the measures had the desired effect in the gilt-edged market, where the Government broker was able to sell both existing tap stocks on a large scale for almost the first time in the current financial year.

The market estimated that about £400m was sold yesterday and brokers would not be surprised if the long tap was exhausted today. Prices rose by ¾ at the longer end.

In contrast, equity share prices were depressed and the 30-Share Index closed 5.6 down at 469.3 after a decline at worst of 8.9. This reflected market concern about the possibility of the extension of dividend controls and about the impact on company liquidity of the higher national insurance surcharge.

The foreign exchange market had been expecting a package at some stage and there was little reaction. Sterling closed 20 points higher against the dollar at $1.8250; the trade-weighted index was unchanged at 61.2.

The introduction of new measures represents a change of plan. The original intention had been to wait until July and a new borrowing forecast to see if any further fiscal action was necessary.

But Ministers have decided to produce a wide-ranging package now before domestic monetary worries led to further pressure on sterling.

The measures are intended to provide as full as possible a reassurance to the market although they are likely to be criticised by non-monetarists, including some in Whitehall, as being too severe by risking overkill and a sharp brake on the pace of economic recovery. A rise in interest rates now could allow scope for a relaxation later in the summer.

A rise in the national insurance surcharge had been considered from the Budget onwards as a possible response to any major changes in the Finance Bill.

The surcharge was preferred to the main alternative of a rise in VAT or excise duties because the unfavourable price and employment effects would come through much later and certainly well after any October election.

The move was presented yesterday as a policy correction to keep the public sector borrowing requirement for 1978-79 below the £8.5bn ceiling, rather than as a change of original Budget strategy.

The rise in the surcharge will be proposed to the Commons shortly as a Ways and Means resolution and as a new clause to the Finance Bill. It will merely offset the revenue lost on the additional income tax reliefs in the coming financial year.

The impact is much greater in a full financial year when the revenue effect would be about £1.5bn, implying a major tightening of fiscal policy unless other taxes are cut.

The increase is likely to mean a loss of jobs and an addition of between 1 and 1½ per centage points to the retail price index over the next year or so. It will eat into industry's financial

Continued on Back Page

● Why the corset was reintroduced, Page 7 ● Parliament, Page 10 ● Editorial comment, Page 18 ● Lex, Back Page

Healey faces censure by angry Tories

BY RICHARD EVANS, LOBBY EDITOR

A POLITICAL storm blew up immediately at Westminster when the package was presented, with both Conservatives and Liberals accusing Mr. Denis Healey, the Chancellor, of economic mismanagement and with many Labour MPs bewildered and worried at the likely effects the national insurance surcharge will have on unemployment.

Ministers presented the measures as a considered attempt to restore confidence in the Budget strategy and recoup the revenue lost in the Finance Bill defeats on income tax.

But Mr. Healey will face a personal censure in the Commons next week, following a Tory decision to change the subject of their debate on Wednesday. In an attempt to attract the crucial support of the 13 Liberal MPs Conservative leaders will move a motion cutting Mr. Healey's salary. They realise that an attack on the surcharge itself would not be backed by the Liberals.

In spite of Mr. Callaghan's relaxed confidence in the Commons the announcement, approved at a two-hour Cabinet meeting, has had a distinctly unsettling effect on Labour MPs, and much of the euphoria of a few weeks ago has evaporated.

Conversely, Mrs. Thatcher and other leading Tories see the Government's defensive tactics as confirmation that economic and political dangers lie ahead for Ministers. They believe that inflationary trends which will be discernible in the autumn could have a fatal effect on the Government's electoral prospects.

Ministers sought to lay the blame for the 2½ per cent National Insurance surcharge squarely at the door of the Tories, because of the £500m cuts in standard rates of income tax they forced through the Commons.

But "shadow" Ministers pointed out that although the surcharge will recoup £500m this financial year, the total in a full year would be a massive £1.5bn—the equivalent of 4p on the standard rate of tax. The only explanation in their view is the late realisation by Mr. Healey that his Budget judgment was badly wrong.

It seems probable that the new clause to the Finance Bill implementing the surcharge will

Continued on Back Page

Mortgage rate expected to rise by 1½% today

BY MICHAEL CASSELL

THE MORTGAGE RATE is expected to rise today by 1½ per cent to 10 per cent.

Building society investors are likely to receive an extra 1¼ per cent on the Ordinary share rate, giving them a 6.75 per cent net return on their savings.

The Council of the Building Societies' Association meets this morning to agree on the new rate structure. The increases will be the first since October, 1976.

Almost certain

An increase in the mortgage rate looked almost certain before yesterday's increase in Minimum Lending Rate, a move which finally convinced building society leaders that their own interest rates must be pushed up.

Despite some early concern that the Government might intervene to prevent more expensive home loans in what seems increasingly likely to be an election year, no attempt was made to influence the societies' decision. The Prime Minister told the Commons yesterday that the societies' rates were "now out of line" and the Government did not intend to "massage" the mortgage rate to achieve a misleading result.

Today's interest rate recommendations, discussed yesterday at a meeting of the Association's home policy committee, will nevertheless be notified to the Government before a public announcement at noon.

The building societies will hope that the higher interest rates decided on today will prove good [illegible]gh to last for the rest of the year. They accept that further action in the coming months would in any case be politically impossible.

Recent months

The move comes in the wake of rapidly falling net receipts for the societies, which have become less competitive in recent months. In June the movement is expected to take in as little as £150m., against £335m in April and nearly £600m last October.

As a result the societies have dipped heavily into their liquid funds to maintain high lending levels. The higher mortgage rate will mean that a £10,000 loan over 25 years will cost just over £10 a month more.

CBI predicts price rises

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

PRICES will go up at least 1½ per cent and unemployment rise by about 100,000 following the increase in the employers' national insurance surcharge, the Confederation of British Industry claimed last night.

From the other side of industry, Mr. Moss Evans, general secretary of the Transport and General Workers' Union, largest of the unions, maintained that the increase in the surcharge was "the wrong line to take because it will make jobs more expensive. Our main priority at the moment is to reduce unemployment and we cannot support measures which will add to the problem."

Mr. James Milne, Scottish TUC general secretary, said the increase in the lending rate would cause concern. "In the past, and no doubt in the future, it has certainly been a deterrent to investment."

The Government's measures would make it more difficult for the labour-intensive retailing industry to absorb school-leavers in the months ahead, according to the Retail Consortium. The Engineering Employers Federation insisted that the package would have its biggest impact on small and medium-sized companies, pushing some out of business.

As a "tax on jobs" the increase would cut UK competitiveness in world markets and against imports and worsen the balance of payments by more than £150m.

The Chancellor should have cut public expenditure first and, as a second option, increased value added tax in order to keep the public sector borrowing requirement at the level set by the International Monetary Fund, said Sir John Methven, the director-general.

"The increase in the national insurance surcharge is the worst possible method. It will reduce profitability at once, impair confidence and so damage future investment.

"If the Government had been willing or able to cut out waste in their expenditure programmes, which total £67bn this year, to save as little as three quarters of one per cent, the required £500m would have been found."

Mr. John Greenborough, president of the CBI, wrote to the Prime Minister yesterday afternoon asking for an urgent meeting to discuss the package.

Among the points he will make at the meeting is the fact that employers' contributions already account for 14 per cent of total labour costs compared with less than 9 per cent ten years ago.

Mr. Joseph Godber, chairman of the retail consortium, said retailers faced a substantial increase in costs which, in turn, would show up in prices in the shops.

£ in New York

—	June 8	Previous
Spot	$1.8240-8250	$1.8220-8230
1 month	0.70-0.60 dis	0.54-0.48 dis
3 months	1.95-1.85 dis	1.66-1.60 dis
12 months	6.80-6.60 dis	6.35-6.15 dis

BP to invest further £120m in Forties Field

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM will invest a further £120m. in its North Sea Forties Field, which supplies well over a quarter of UK oil needs. It will go on an emergency support and maintenance vessel (£60m); accommodation (£40m); helicopter decks (£12m); and underwater maintenance (£6m).

Original cost

The further capital will bring total spending in the field to more than £1bn, nearly three times the original cost estimate.

There are signs that the flow from Forties could be more prolific than previously forecast, at least in the next few years.

The average flow is 500,000 barrels a day, about half the present production rate of the North Sea, and the maximum allowed by the Department of Energy.

In recent months Forties has produced up to 570,000 barrels a day, indicating that BP should have no difficulty in maintaining the permitted plateau.

Under the production agreement with the Government BP is allowed to maintain the average 500,000 b/d for three years until mid-1980.

Other oil news, Page 8
Energy review, Page 27

But later this year it may ask for authority to extend this maximum rate for about a year, providing 70,000 b/d more production worth nearly £190m in 1981.

This would mean altering the production profile for the field. BP says it has no reason to change its estimate of ultimate recoverable reserves of 1.8bn barrels.

If an application is made the Government may be influenced by the pace of development in other fields. For conservation reasons Ministers may want to prevent North Sea production rising much beyond the self-sufficiency level expected by 1980.

Come ashore

Development of Texaco's Tartan Field might be a factor. It is expected that oil from these will come ashore in the Forties pipeline at about 75,000 barrels a day.

The pipeline can carry 650,000 b/d. If Forties and Tartan produce at peak capacities simultaneously, there will be little spare capacity left in the line.

BP is now boosting the Forties throughput by up to 25,000 b/d with natural gas liquids from the big reservoir.

CONTENTS OF TODAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

Currency options emerge for EEC

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

THREE PRINCIPAL options appear to be emerging in discussions between EEC officials charged with drawing up concrete proposals for technical arrangements which could be used in a new Community initiative to stabilise currencies.

All three schemes assume that the currency snake, whose EEC members are Germany, Denmark and the Benelux countries, would remain intact and form the effective nucleus of a broader new system. But they would impose varying degrees of discipline on other participants.

The ideas were outlined in a speech yesterday evening by M. Jacques van Ypersele, a senior Belgian Finance Ministry official who chairs the EEC Monetary Committee, composed of Treasury and central bank experts from the nine Common Market countries.

While he emphssised that he was speaking in a purely personal capacity, M. van Ypersele's remarks undoubtedly reflect current thinking on the committee. It has been instructed to draw up recommendations for currency arangements before the next EEC Finance Ministers' Council on June 19, at which preparations will be made for the EEC heads of government summit in Bremen next month.

The options listed by M. van Ypersele are:

- A broader snake or "boa," in which participants would observe the same rigorous disciplines as snake members. But non-snake countries would be allowed a broader fluctuation margin of 4.5 per cent instead of 2.25 per cent.
- A much looser arrangement, in which EEC countries would aim to rstrict currency movements within "target zones." Initially, non-snake members would be required only to avoid competitive depreciations and to hold consultations with the rest of the EEC when their currencies were forced out of their allotted zones.
- A hybrid scheme, which M. van Ypersele liked best. This would involve setting target zones denominated in terms of a weighted index of EEC currencies, such as the European unit of account. Countries would be obliged to intervene to defend their exchange rates.

Such an arrangement, he said, would call for a substantial increase in the European Monetary Co-operation Fund (FECOM). The EEC should also consider the possibility of establishing a currency of its own for intervention on foreign exchange markets, instead of relying principally on the dollar

M. van Ypersele also backed the creation of a new form of European monetary unit, similar to the unit of account, to be used as a means of settlement between EEC central banks. It would be issued by the FECOM in return for dollars or gold, and carry an interest rate determined by a basket of European interest rates.

He stressed, however, that any move towards new currency arrangements could not be made in isolation and must be accompanied by progress towards the restoration of sustained economic growth.

Move to control killer satellite deployment

BY DAVID FISHLOCK, SCIENCE EDITOR

CONTROLS ON THE deployment of killer satellites are the subject of arms limitation talks between the U.S. and the USSR which began in Helsinki yesterday.

The Russians have been experimenting with killer satellites since 1968, but their technology could be overtaken by th eU.S. Space Shuttle, which may have the capability of plucking satellites out of orbit and bringing them back to earth.

Some indication of the importance the U.S. attaches to the Helsinki talks can be gauged from the fact that its team is led by Mr. Paul Warnke, head of the Arms Control and Disarmament Agency in Washington.

A total ban on the military use of satellites appears to lie beyond reach, because satellites ostensibly designed for many civil roles—research, weather, and earth resources satellites, for example—will also yield information of direct military value.

But since 196 7the two nations have observed their Outer Space Treaty forbidding "nuclear weapons and or any other kinds of weapons of mass destruction in earth orbit."

Discussion for the next week will centre on whether a more comprehensive treaty should now be drafted, to take account of spectacular advances in satellite and space-weapon technology, and to what etxent observance of such a treaty might be verified.

The Russians are known to have tested statellites which could be used to tessk out and destroy another satellite. In two series of experiments—the first from 1698-71 and the second since 1976—they have demonstrated four different ways of bringing a satellite close to or into collision with one already in orbit. During 1977, seven of the 82 Soviet military satellites launched are believed to have been part of these experiments.

Late last year the U.S. National Aeronautics and Space Administration authorised the development of a tele-operator retrieval system designed to give its Space Shuttle the ability to retrieve satellites from earth orbit. The Defence Department is contributing \$1.5bn-\$2bn towards the cost

Skylab salvage. Page 6

Strike hits hotels in Barcelona

By David Gardner

BARCELONA, June 8.

HOTEL AND restaurant workers today began a 72-hour strike in the province of Barcelona following the breakdown early this morning of yearly wage negotiations.

Eleven pickets were arrested this morning but quickly released following representations from the main trade unions involved, which claim 80 per cent observance of the stoppage.

The strike is acquiring a notoriety beyond its immediate economic importance for two reasons: It seriously affects foreign visitors to Barcelona's international trade fair—which runs until Sunday, when the strike is due to end, and it has become a test of the present state of industrial relations in Catalonia.

An influential minority of Catalan employers are trying to ensure that each day lost through industrial action will be answered by a 24-hour lock-out. There is so far no evidence that their attempts to ensure that hotel owners begin a lock-out from Monday has prospered though a recent survey of catering employers in Catalonia reveals a majority in favour of a tough response.

The unions are holding out for a Pta 25,000 a month minimum wage throughout the industry, against an offer from employers of Pta 23,000, made early this morning in an attempt to head off industrial action.

Chirac lashes out at Giscard policies on Africa

BY ROBERT MAUTHNER

PARIS, June 8.

M. JACQUES CHIRAC, the leader of the Gaullist Party, who has adopted an untypically low profile since the March general election, today reverted to his favourite role of sniping at President Giscard d'Estaing's policies.

The Gaullists, though officially members of the ruling coalition, are determined to maintain their independence and have made it clear that they will submit all the Government's policies to critical examination. M. Chirac did so today in characteristic style, concentrating particularly on the Government's African policy.

Criticising President Giscard's proposal at the recent African summit in Paris, for the creation of a pan-African peace-keeping force with Western support, the Gaullist leader said there was little prospect that such a scheme would ever see the light of day. France should take care not to table proposals (as it had done in the North-South conference and at the UN General Assembly meeting on disarmament) which stood no chance of being put into practice.

M. Chirac was scathing about President Giscard's attempts to associate the U.S. more closely with African affairs, remarking that this appeared to be an attempt to give NATO a role in the continent. The Gaullists considered that neither the U.S. nor the Soviet Union had any business to intervene in Africa, which should not become a subject of rivalry between the super powers.

The attempt to involve a number of leading Western countries in a peacekeeping role in Africa could lead to a "Vietnamisation" of conflicts in the region.

Meanwhile, the row has worsened between M. Chirac, in his capacity as Mayor of Paris, and the Government, over who should pay for the capital's 13,300-strong police force.

At the beginning of last month, the City Council voted unanimously with six abstentions in favour of M. Chirac's proposal to make a cut of FFr 142m (£17m) in its contribution of FFr 292m to the cost of the police force. The Interior Ministry later overruled this decision, claiming that the law specifically laid down that municipalities should subscribe 25 per cent of the cost of their police. M. Chirac, on the other hand, argued that the 25 per cent rule was applied by the authorities only in the case of Paris.

The Prefect of Paris, the Government's chief representative for the city, has now ordered the money to be drawn out of the city's treasury reserves, a move which could provoke a serious financial crisis.

Soviet bloc presents new proposals at arms talks

By Paul Lendvai

VIENNA, June 8.

THE SOVIET chief delegate to the MBFR arms talks in Vienna, Ambassador Nikolai Tarasov, today presented a new Warsaw Pact proposal which if accepted by the West, could produce a breakthrough at the talks, he claimed. However, NATO officials cautioned that the Eastern initiative was based on manpower figures which the West refused to accept. They added the latest Warsaw Pact move will have to be studied in more detail.

The Eastern proposals were formally submitted today at the 172nd plenary meeting in the 15th round of the stalled negotiations. The talks began here in October, 1973. According to a summary read to the Press by a Soviet spokesman, the proposals by the Soviet Union, Poland, Czechoslovakia and East Germany are the acceptance of a ceiling of 900,000 men, including 700,000 ground forces, for each side, stationed in the central region. At the same time, the Warsaw Pact countries also expressed willingness to carry out a selected reduction and limitation of armament and an equal proportional cuts in the Soviet and U.S. forces stationed in Central Europe.

EUROPE'S STEEL PLAN

Davignon takes a knock

BY GUY DE JONQUIERES IN BRUSSELS AND ROY HODSON IN LONDON

THE GRAND plan for protecting European steelmaking has this week blown up in the face of its inventor, the 46-year-old Viscount Etienne Davignon, throwing the industry into renewed disarray and giving the Belgian statesman the nastiest shock of his meteoric career.

Nobody in the Community has climbed so high so fast as Davignon. His reputation as the "Mr. Fix-It" of European industrial affairs has made him a world figure during his term as the EEC Industrial Commissioner. He is already better known in international business circles than any previous Community figure.

From the unlikely background of the Belgian aristocracy and a legal training he has emerged in the past year as the man with solutions ready and waiting for major and intractable industrial problems wherever and whenever they arise.

None of his innovations has been bolder or more imaginative than the Davignon Plan for steel, which has been steadily developed with the co-operation of European steel companies to protect the industry from profitless selling and cheap imports and to allow it limited time to regroup into a more efficient business.

Now, with the suddenness of a summer storm, the system so painstakingly set up at countless patient meeting between steelmen, EEC officials and member governments has begun to unravel within the space of a few days. Even the officials responsible for monitoring it on a day-to-day basis have been surprised at the speed of the collapse.

Only a few weeks ago, Viscount Davignon appeared satisfied that after an initial running-in period his plan was starting to have a real impact on the steel market. Prices appeared to be firming in response to increases in the compulsory minimum prices for reinforcing bars, merchant bars and coils and the voluntary guidelines for other commonly used products. Bilateral agreements negotiated with major third country suppliers earlier in the year had stabilised the volume and prices of cheap imports, and there were encouraging signs that companies were beginning to give serious thought to restructuring programmes.

But it is now clear that cheating has been practised by some member companies of Eurofer—the European steelmakers' "club"—on a sufficient scale to undermine the whole structure of the plan.

Within the past two months EEC steel production has soared far ahead of demand as more and more companies have flouted the output targets laid down by the Brussels Commission. Illegal under-cutting of the Community's compulsory minimum price regime has become widespread. There are strong indications that the rules are being transgressed not only by the habitually independent producers of northern Italy but also by hitherto co-operative companies in countries like France and West Germany.

A current story in the steel trade, now that companies are openly acknowledging that the plan is in difficulties, concerns recent importations of cold rolled coil into West Germany allegedly from Switzerland. Switzerland does not make that sort of steel.

Commission officials are still somewhat puzzled by the exact reasons for the sudden bulge in output. Part of it is attributed to the filling of contracts hastily concluded with American customers just before the U.S. introduced its "trigger" price system for imports in February.

Some of it is being stocked, apparently in anticipation of the planned 5 per cent increase in minimum prices for coils and guidance prices at the start of July. But the spread of price cutting which accompanied the rise also suggests that a good many European producers are illegally taking advantage of the "base" price system applied to third country imports to mop up orders from European customers.

There is growing concern in Brussels that continued price cutting by EEC producers could undermine the third country agreements. In an ironic reversal of roles, the Japanese industry is already complaining that the lack of price discipline is making it increasingly hard to sell on the European market while staying within the terms of its agreement. This allows Japan to sell special steel at 6 per cent and ordinary steel at 4 per cent less than the official EEC prices for Community producers.

The legal weapons available to the Commission to restore order to the market are limited and work almost entirely on the prices side. The disadvantage is clear: if the Commission raises prices further without firm commitments by producers to cut output, there is a danger that it will exacerbate the production glut. In a market where minimum prices are b eing widely disregarded, Viscount Davignon's warning earlier this week that the planned price increases will not go into effect on July 1 unless output is restrained has a somewhat hollow ring.

Viscount Davignon is relying heavily on EEC governments to lean on steel producers to accept and adhere to a sharply-reduced production total of 29m tonnes in the third quarter. The Commission has no powers to impose this target on companies unless the Council of Ministers decides unanimously to declare a "manifest crisis" under Article 58 of the Paris Coal and Steel Treaty, which provides for mandatory production quotas. The French industry has been pressing for such a step for some time, but Germany and some of the Benelux countries remain adamantly opposed to it.

The cheating practised by steel companies has helped cause Viscount Davignon's bold and imaginative plan to disintegrate within days.

After Viscount Davignon announced these measures at a Council of Ministers meeting earlier this week, Mr. Edmund Dell, the British Trade Secretary, described them as the "last chance" for the EEC's anti-crisis plan. If they failed, he warned, the U.K. and a number of other countries would have to consider resorting to unilateral action to protect their steel industries.

The partitioning of the Common Market in steel would have incalculable consequences and would be certain to increase the existing pressures in the Nine for national restrictions on Community trade in other products as well.

As Viscount Davignon considers his various ventures for helping European industry he may wonder whether his "magic touch" has deserted him. His shipbuilding plan is in tatters. His synthetic fibres cartel still has to run the gaunlet of consideration by the member nations of the Community. His overall strategy for a positive approach to the regeneration of European industry, by the identification of growth sectors at the expense of older industry, has not received the support he expected.

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West Germany records April payments deficit

FRANKFURT, June 8.

WEST GERMANY had a preliminary overall balance of payments deficit of DM1.66bn in April, compared to a surplus of DM518m in March, and a deficit of DM896m in April 1977, the Bundesbank said today.

In the first four months of this year, West Germany recorded a preliminary overall payments surplus of DM2.886bn, against a deficit of DM300m in the first four months of 1977, the Bundesbank said.

The current account produced a preliminary surplus of DM4.937bn in the first four months, up from DM3.376bn in the same period a year ago.

The current account—comprising trade, services and transfers—showed a preliminary surplus of DM1.718bn in April, compared with DM2.882bn in March and DM970m in April 1977.

The long-term capital account showed an April deficit of DM1.214bn, compared to a surplus of DM1.172bn in March and a deficit of DM2.340bn in April, 1977.

This was due largely to a turnaround in portfolio investment. While foreigners in March accounted for a net DM600m in fixed-interest securities and for DM300m in stocks, April buying and selling was about equal, the Bundesbank said.

On the short-term capital account, West Germany recorded a DM1.721bn surplus, compared to a DM1.770bn deficit in March and a DM677m surplus in April 1977.

The overall surplus on capital account was DM507m, compared to a deficit of DM598m in March and an April 1977 deficit of DM1,663bn. AP-DJ

Krupp chief warns over dangers of steel subsidy

BY ADRIAN DICKS

BOCHUM, June 8.

CONTINUED heavy government subsidisation of the steel industry in Britain, Italy and France is a danger to the attempt to rationalise the industry throughout Europe and to put it back on to a profitable basis, a leading West German steel executive said here today.

Herr Robert Mintrop, the outgoing chairman of Fried. Krupp Huettenwerke (FKH), the steel-making arm of the Krupp group, described the increase in State intervention as a "negative" factor weighing on the whole industry.

"The danger exists from this that a real restoration of the industry's health will not be carried right through but that losses will be covered by the taxpayer, leading to permanent subvention.

"We will be affected by this because of the hidden risk that the covering of costs will no longer be the decisive criterion in pricing policy, and that determination of prices will be increasingly removed from the influence of companies themselves."

While Herr Mintrop said the British Steel Corporation, with losses of £520m in 1977, was the largest loss-maker, the deficit which Italy would have to meet from Italsider was likely to be over DM1.5bn.

This would cover modernisation plans which, he alleged, would include a large new special steels plant directly damaging to West Germany. Within the Community, Herr Mintrop also criticised France, while other countries subsidising their steel industries were Austria and Sweden.

West Germany, the FKH chairman said, had steel capacity that for the most part was competitive in cost terms with any in the world, and had therefore good prospects for the future.

"The precondition for this, however, is equal starting positions, among which must be counted the elimination of distortions of competition through current subsidies designed to encourage sales.

"We hope that present measures of the European Commission will lead finally to the struggle in the steel market being brought back to conditions of fair competition, and hence that ample profits will once again be attainable for the competitive producers."

Presenting his company's 1977 results, Herr Mintrop conceded that the past few months had seen a healthier trend.

Herr Wilhelm Scheider, the deputy chairman, said he was hopeful that the Davignon scheme could endure, provided that price discipline could be restored. FKH had reported renewed heavy discounting to the commission, not all of it from the independent Brescia producers. The continued uncertainty over prices, and scepticism over the likelihood of further increases in the commission's minimum levels, had badly unsettled markets.

FKH results, Page 25

Portugal business plans only limited investment

BY JIMMY BURNS

LISBON, June 8

THE ANNUAL report of Portugal's National Development Bank (Banco Nacional Do Fomento), the institution with the greatest responsibility for granting investment and export credit in the industrial and agrarian sectors, shows that while some business confidence during last year was restored among companies already established in Portugal, intentions to invest in new projects continued to be limited among Portuguese businessmen.

The report published this week shows that during 1977 the bank received requests from 854 applicants.

It granted investment credit to 479 at a value of Es 9.6bn. This represented a marked increase in granting credit compared to last year when 385 applicants were granted Es 7.8bn.

The bank notes, however, that judging by the nature of the applications, investment during last year reflected "a defensive strategy on behalf of already existing companies," and that cases of companies coming forward to invest in new projects were "very rare."

Significantly, the report appears to counter the claim often made by the Confederation of Portguese Industry (CIP) that the private sector is discriminated against by the Government's selective credit policies.

"During 1977, investment credit granted to private companies significantly came very near to the total credit investment granted to the public sector," the report states.

Nevertheless, the reports lists a number of "negative factors" which it believes have contributed to a general feeling of inertia among many companies, particularly privately-owned.

In addition to general criticism of the economic climate particularly with regards inflation and the balance of payments deficit, the report mentions poorly defined labour legislation regulating industrial relations, spiralling production costs, and an absence of ready capital.

Generally, the lion's share of investment credit went to the capital intensive industries (267 applications involving Es 5.7bn approved).

Major export credit went to the transport sector. The report makes a special mention of the increased financial assistance given during 1977 to Portugal's agricultural sector.

IBM attacks European computer procurement

BY DAVID CHURCHILL

VIENNA, June 8.

THE COMPUTER procurement policy of many European countries—including Britain—was sharply criticised to-day by one of IBM's top executives in Europe.

Mr. Kaspar Cassani, vice-president and administrator director-general, IBM Europe, made his criticism at an international conference on the growth of computers in the public sector.

"We think that these practices are detrimental to all parties concerned," he said. "We feel strongly that public procurement should award it on the merits of the individual offers."

A number of countries, however, purchased computers from national manufacturers in preference to multi-national companies such as IBM. The British Government has a deliberate policy of buying its large computers from International Computers Ltd. subject to satisfactory price, performance, and delivery criteria, he said. Such policies meant that governments were not necessarily getting the most effective computer equipment.

"Our role is to provide the best product performance at the best possible price to government customers. That is a straight-forward situation which becomes complicated when Government procurement is used as an instrument of national industrial policy."

Mr. Cassani argued that if governments wanted to support national computer manufacturers, such support should take the form of subsidies for research and development rather than guaranteed contracts.

"The data processing industry is technology driven and future success is only possible through technical leadership," he said.

IBM's criticism of procurement policies favouring one manufacturer was endorsed earlier this week by a top-level committee of civil servants in the UK. The committee said that a large part of the government's technical resources had been devoted to monitoring the development of ICL's new 2900 range.

"This has reduced seriously the extent to which the Government's technical staff are conversant with other approaches to the application of technology in data processing," the committee said.

MIDDLE EAST NEWS

Sadat renews war threat

SUEZ, June 8.

PRESIDENT ANWAR SADAT, in his second tough speech in two days, has said Egypt will go to war to liberate occupied territory unless Israel softens its stand on his proposed terms for a Middle East peace settlement.

"We will liberate our lands if Israel continues its attitude and its misunderstanding of the spirit of the peace initiative," Mr. Sadat told units of the Third Army in this canal city yesterday.

He disclosed that he had turned down an Israeli offer last March for a separate peace pact with Egypt.

Mr. Sadat, touring the Canal Zone on the third anniversary of the reopening of the waterway, had already told officers and men of the Second Army on Tuesday that they would have to "complete the battle of liberation if it becomes imperative as a result of Israel's failure to understand the spirit behind the initiative."

He said: "We are prepared to give Israel peace and security but not a single inch of our land or sovereignty."

He would be prepared to resume peace talks with Israel if they produced any worthwhile new ideas. Direct Egyptian-Israeli peace negotiations have been suspended since January because of what Cairo considers to be Israeli intransigence.

The semi-official daily newspaper Al-Ahram to-day described as, "a new fallacy" Israel's view that Mr. Sadat's remarks constituted another obstacle in the path of peace. "The Israeli Government and the entire world fully realise that President Sadat meant exactly what he said that the October (1973) War should be the last of wars, provided Israel responded to the peace initiative," Al-Ahram said.

"But until today, Israel has put all obstacles in the path of peace, imagining that Egypt would remain indifferent towards Israeli intransigence."

Meanwhile in Tel Aviv Mr. Menahem Begin, the Israeli Prime Minister, was quoted today as saying that President Sadat had broken an unconditional promise when he referred to a war option still open in the Middle East.

Israel Radio today quoted Mr. Begin as telling a U.S. journalist that during his visit to Jerusalem last November "President Sadat said there will be no more war. It is not a qualified statement, it was completely unconditional."

The report added that Mr. Begin said: "To speak about the possibility of war now, when we are discussing peace, is very regrettable."

The timing of President Sadat's statement yesterday that Egypt might go to war to liberate occupied territory was possibly due to internal problems inside Egypt and rivalries within the Arab world, a leading Israeli newspaper said today.

The Jerusalem Post said it was the first time since his visit to Jerusalem last November that the President had so openly threatened the war option.

Reuter

Israel to keep ties in Lebanon

By David Lennon

TEL AVIV, June 8.

ISRAEL WILL continue to protect the Christian villages of southern Lebanon even after the withdrawal of its forces from the area next Tuesday, a Defence Ministry spokesman said today. The U.N. peace-keeping troops taking over the area will have no objection to Israel's maintaining its relations with the Christian villages, as long as the Lebanese Government approves this, a U.N. spokesman said in Jerusalem.

But he stressed that the U.N. would prevent the entry into south Lebanon of armed personnel, "whether they come from the north or the south." This was a clear indication that the U.N. would not approve of Syrian troops moving south of the Litani River. Israel has said that it "would not look with favour" on any move south by the Syrians from their current positions, about 17 kilometres north of the Litani River.

This is a softening of the former declarations that Israel would oppose any move south by the Syrian forces. It may indicate a tacit Israeli acceptance of a move south, to the Litani, by a limited number of Syrian troops. This may be the quid pro quo of the agreement which appears to have been reached to allow Israel to continue its protection which it gave the Christian villages before Israel invaded the region three months ago.

King Hussein settles succession

KING HUSSEIN'S two-year-old son, Ali, will become crown prince when the Jordanian monarch's youngest brother Prince Hassan succeeds to the Hashemite throne, a royal message today said.

The message, which settles the line of succession to the throne, confirmed Prince Hassan, 31, in his present post of Crown Prince.

In deciding on his youngest son Prince Ali as second in line to the throne, King Hussein, 43, bypassed his two other sons, Abdullah and Faisal, by his second British-born wife, Princess Muna. Reuter

PRESIDENT ASSAD OF SYRIA

Ruthless but reserved

BY ALAIN CASS AND ROGER MATTHEWS IN DAMASCUS

PRESIDENT HAFEZ ASSAD tackles an interview in much the same way as he governs. He sits very still, rarely gesturing, the even tone of replies wafting across the thickly carpeted floor, broken only by the occasional cracking of his finger joints.

His statements, like his policies, are invariably qualified. No path is explored without all the side-turnings being carefully sign-posted. The questions he is not prepared to answer, like the policies he prefers to carry out by stealth, are carefully wrapped in a web of distracting phrases and tossed back at the interviewer.

It is a skill developed over eight years of holding on to power in a country that, before his bloodless coup of 1970, had the unenviable reputation of having more coups or attempted coups—22 in as many years—than virtually any other country in the world. "Taking power is easy," he is reputed to have told one of his closest colleagues when they were both young officers. "Holding on to it is quite another matter."

Perhaps as a reaction to Syria's turbulent past—and the ever present dangers of political instability—this reserved and rather sober man likes to emphasise his Government's total consistency.

Outwardly at least, he and President Sadat of Egypt are opposites. Mr. Sadat, who gives more interviews in a week than his Syrian colleague does in a year, is the flamboyant media-conscious extrovert, while President Assad is more withdrawn, perhaps more cunning, certainly more ruthless.

He smiles when questioned about the peace efforts of his Egyptian counterpart. "Would Winston Churchill," he asked, mindful of his audience, "have been considered a hero in Britain had he gone during the Second World War to Berlin to reach a reconciliation with Hitler? The idea comes to mind," he added sensitive to the possible interpretation of his remarks, "despite the fact that the circumstances are completely different historically, politically and in all other aspects.

"We announced our attitude towards this initiative when it was first discussed. The stand we have taken was the result of an objective analysis of its motives and its objectives. The passing days and the deterioration of events have proved us right. We find nothing to justify a change in our stand."

Just as he is careful to avoid personal abuse, so President Assad avoids drawing conclusions in public which may be proved wrong later. He may think President Sadat is after a separate peace treaty with Israel. That was his way of saying it. But he has not survived eight years at the head of the most politically complex country in the Middle East by making wild predictions. You will not catch President Assad saying "This is the year of peace," as Sadat has.

You pursue in the vain hope of getting him to admit what much of the rest of the world takes for granted namely that the Sadat initiative has revealed Israeli intransigence. His reply is not surprisingly partisan. "I do not think there was any need for Mr. Sadat to go to Jerusalem to expose the aggressive and expansionist spirit prevailing in Israel. Israel has forced our people out of their lands, occupies the territories of independent Arab countries and refuses to withdraw. It refuses to implement United Nations resolutions — I might as well say all UN resolutions—including those which contain the broad outlines for a solution under which a just peace can be achieved." Not how Mr. Menahem Begin might see it, but the argument carries force nevertheless.

Just now, President Assad needs all his skills. His major problem remains Syria's profound involvement in the Lebanon where 30,000 troops are carrying out an uncomfortable policing role—a role many of them do not like—at a cost to the Syrian exchequer of $3m a day.

Shortly, after the scheduled departure of Israel's troops on June 13 President Assad and his advisers will have to decide when, or rather how since the decision has almost certainly been taken, to move part of the Syrian-dominated Arab deterrent force down to and even south of the Litani River. This would seal Syrian hegemony over Lebanon and more effectively bring the Palestinian guerrillas under the control of Damascus.

The move south would, at best, be a complicated juggling act. On the one hand Syria needs a Palestinian movement which, while being independent enough to worry Israel, is obedient enough not to draw Syria into a conflict with the Jewish state at a time not of President Assad's choosing. On the other hand, Syria must be seen to defend the right of the Palestinians to strike at Israel.

"Could anybody in the world expect us to act as guardians of Israel and to protect it against raids?" he asks. "It remains our view that the Palestinians should have every possibility of striking against Israel from any Arab land without exception. But," he adds deftly, "the Palestinians themselves have said they are no longer carrying out actions against Israel from Lebanese territory."

The decision to go into Lebanon was probably the single most agonised decision this former air force pilot has taken since his decision to assume ultimate power. Not least because, as one of his senior ministers told us: "Peace in Lebanon means peace in Syria. War in Lebanon could mean war in Syria."

Despite its remarkable stability since 1970, Syria remains a potentially explosive mix of religious and political rivalries. In recent months at least 18 members of the minority Alawi Moslem sect, of which President Assad is a member, have been assassinated. By whom is not clear for the finger is pointed accusingly as often at the majority Sunni sect, which has seen its traditional dominance eroded, as it is at Syria's sister Ba'ath regime in Iraq.

The decision to send troops to Lebanon was taken in the classic Assad manner. Moving forward with great stealth he ensured that his decision was seen to be endorsed by all the major ruling elements which essentially means the Ba'ath party, the army and key popular organisations.

His major economic decisions bear the same stamp. The move to open Syria's north-east oil bearing region to western oil companies—widely regarded as a key indicator of his future intentions—was carefully processed. Two companies, Royal Dutch Shell's Houston affiliate and a smaller U.S. company, have signed production sharing agreements this year. "The decision was only reached after full debate. It is clear that the masses of our people support this policy because they are fully convinced that it is in the interests of our country."

But what of the tendency of Syrian governments in the past to nationalise foreign assets? What guarantee does he offer western technology? "We need the expertise of the rest of the world," he says. "Foreign investment represents no threat to our sovereignty. We would be dealing our own interests a blow if we reversed our policy. There should be no fear of that."

President Hafez Assad

Outwardly, Assad and Sadat are opposites. Mr. Sadat is the flamboyant media conscious extrovert who gives more interviews in a week than his counterpart does in a year. Assad is more withdrawn, perhaps more cunning but certainly more ruthless. He scrupulously avoids personal abuse and equally avoids making public statements which may be proved wrong later. He has not survived for eight years in a politically turbulent country by making wild predictions.

Pakistan plans for $21bn investment and 7% growth

BY SIMON HENDERSON

ISLAMABAD, June 8.

PAKISTAN'S five-year plan for 1978 to 1983 to be published soon envisages a growth rate of 7 per cent a year and a total investment of $21bn.

The previous rates of growth were 1.2 per cent in 1976-77 and 4.3 per cent in 1975-76.

A summary of the draft plan says it was necessary because since 1972 (the period of the Bhutto regime) investment commitments were made without reference to a plan.

These commitments, it goes on, are now clearly perceived as having been in excess of the non-inflationary resources which could be mobilised. It blames this inflation, which is believed to have reached 30 per cent, on the too heavy concentration in long-term projects, capital intensive projects and mentions the new Karachi steel mill, fertiliser and cement factories.

The draft plan, which was also made available to the Western nations and Japan before the recent Aid To Pakistan Consortium meeting in Paris, is to be amended and formally approved here on June 12 in time for the next year's budget.

Observers describe the plan as inevitably over-optimistic in its forecasts particularly in relation to industry and agriculture but welcome the moves it recommends in rural development.

On agriculture, the plan envisages self-sufficiency in food to be reached by 1983 by the admittedly ambitious target growth rate of 6 per cent.

The plan expresses determination *to delay costly new projects.* It is known the Karachi steel mill, being constructed with Russian assistance, has been delayed

The industrial growth rate of 10 per cent is to be partly reached by the establishment of a more favourable climate for private investment.

The plan says there is a continuing need for debt rescheduling. Unless rescheduling is achieved commercial borrowing will be necessary which will worsen balance of payments pressures.

Brunei independence talks soon

BY DAVID HOUSEGO, ASIA CORRESPONDENT

AT THE prompting of the British Government, the Sultan of Brunei is expected in London soon for negotiations to end Britain's responsibilities for defence and foreign affairs in the wealthy oil state and leave Brunei fully independent.

This is a move that has long been resisted by the Sultan, who is anxious for continued British protection and in particular for the continued position in Brunei of a battalion of Gurkha troops under a British commander.

In recent exchanges with the Sultan, however, Britain has made clear that a firm date now has to be set for independence. This would be accompanied by a new treaty of friendship to replace Britain's existing responsibilities under an agreement of 1971.

As with the oil states of the Gulf several years ago, Britain feels that the anachronism of a client-state relationship with Britain is more likely to exacerbate political unrest than create stability.

Pressure on Britain to push Brunei towards full independence has been growing, with yearly resolutions in the United Nations urging independence and pressure towards the same goal from the neighbouring South East Asian states of Malaysia and Indonesia.

Brunei has a revenue from oil and natural gas developed by a Shell subsidiary of about £450m a year.

The Sultan's fears of independence *stem most from the* belief that his state would be taken over by Malaysia which in the past has given support to his political opponents.

In a major step intended as a prelude to the London meeting, Malaysia and Indonesia recently attempted to allay the fears of the Sultan by assuring him that they would recognise the independence of Brunei and prevent guerrillas using their countries as a base to operate against his regime.

Vietnam to get $½m UN aid

BY CHRISTOPHER SHERWELL

VIETNAM is to receive $500,000 from the United Nations High Commission for Refugees (UNHCR) to supply food, medicine and other essential needs for some 132,000 Khmer and 15,800 Chinese refugees who have fled from Cambodia because of the border conflict.

On top of the assistance, which marks the UNHCR's first involvement with Communist refugees in a Communist country, Hanoi has separately requested help for displaced Vietnamese on its own side of the Cambodian border estimated by the UNHCR to number 750,000.

The unexpected request from Vietnam comes at a time when there has been widespread criticism of the regime's internal policies that have resulted in the mass exodus of both Vietnamese and Chinese from the country.

The UNHCR has been assisting refugees from Indo-China since the end of the Vietnam war in 1975. Neither Peking nor Hanoi has requested help for the departing Chinese who so far number about 100,000 out of a potential total of some 1½m.

Final details of the assistance for the refugees from Cambodia have yet to be worked out.

Sithole bid to abolish restrictive land laws

By Our Own Correspondent

SALISBURY, June 8.

REACTING TO mounting criti*cism of* the transitional Government's poor record in repealing racial discrimination the Rev. Ndabaningi Sithole, current chairman of the executive Council and leader of the domestic ZANU party has presented a memorandum to the Council calling for the repeal of the Land Tenure Act.

In his memorandum, Mr. Sithole says the act "undermines the credibility" of the Salisbury internal settlement and makes it difficult to secure international recognition.

He claims repeal of the Act will "cause Britain to bestow legality" on Rhodesia and *change* the attitude of the frontline states for the better.

Mr. Sithole says in his paper it was desirable to repeal the act during the transitional period—and not after the advent of majority rule at the end of the year.

Sources said that the call for the repeal of the Land Act is supported by the two other black members of the executive council, Bishop Muzorewa and Chief Chirau. Mr. Ian Smith's attitude is unclear. He is in South Africa on holiday and due back at the week-end.

The Sithole memorandum warns the whites that it will not be in their interests if the repeal of this legislation is left until after a black government has taken power. "There can be no doubt that the Land Tenure Act will go after Zimbabwe becomes independent, but if it went during the interim period it would strengthen racial co-operation and harmony."

Mr. Sithole's paper is well-timed since the Government is currently working on the legislative programme that will be put to the existing Rhodesian Parliament later this month.

The official opening of Parlia*ment is* on June 20 and in his final speech from the throne, the Rhodesian President, Mr. John Wrathall, will outline the Government's legislative programme for what is likely to be the second last session of Rhodesian Parliament as presently constituted.

In a separate development, security force headquarters announced the murder by ZIPRA guerrillas, loyal to Mr. Joshua Nkomo of one English and one Irish missionary workers in south-west Rhodesia near the Botswana border.

THE ZAMBIAN ECONOMY

Real test still to come

BY MICHAEL HOLMAN IN LUSAKA

President Kaunda

THE PLEDGE by Dr. Kenneth Kaunda, the Zambian President, last December that 1978 would see an "economic take-off" after two depressed years gave rise to a popular, sceptical joke. Since the country had neither the fuel nor an adequate runway. it went, a crash-landing was more likely.

The fuel has since been found: In the past six months a massive Western rescue operation, likely to total $800m, has got under way. It will culminate when about 20 countries and organisations meet in Paris from June 27 to 29 under the auspices of the World Bank.

Certainly the position was bleak at the time of the President's optimistic forecast. Arrears in payments for imports and remittances of profits were about $400m and rising. Foreign exchange reserves were almost exhausted. Government domestic borrowing was over 30 per cent of revenue. And the State-owned copper mines—responsible for 95 per cent of the country's export earnings—were running at a loss and consuming two-thirds of the foreign exchange they earned.

International willingness to help Zambia recover has in part been due to efforts by the Zambians themselves. The frank approach to the severity of the problem and the stress on the need for harsh measures was led by Dr. Kaunda himself, who in November warned of the *dangers of economic collapse.*

This was followed by a demonstration that, in spite of forthcoming general and Presidential elections, the Government was prepared to apply the necessary measures. The January budget drastically reduced Government subsidies, which resulted in a 22 per cent increase in the price of maize meal, the staple diet of Zambia's 5.5m people. It also cut recurrent and capital expenditure, froze the level of Government employment, increased taxes on several items including beer, cigarettes and petrol, and reduced the budget deficit to £64m from 1970's £102m.

The budget cleared the way for the International Monetary Fund (IMF) credit of $393m announced in March. It was accompanied by a 10 per cent devaluation of the kwacha and commitments to reduce Government domestic borrowing and central bank lending to the mines.

Dr. Kaunda returned from his visit to London and Washington last month with a further £15m from Britain (in addition to the existing £17m programme for 1978-79) and $100m over three years from the U.S. More is likely to be raised in Paris. Japan will be among the countries attending the Paris meeting and is likely, according to sources here, to provide a substantial contribution.

There is also talk in Lusaka of considerable aid from Arab states, in particular Saudi Arabia. Zambia may also be considering borrowing more from commercial banks, and Dr. Kaunda has mentioned the possibility of a $200m Citibank loan—though no details are available.

By contrast, and noted with *considerable satisfaction* by Western diplomats, a delegation from the Soviet Union which visited Zambia last month brought no more than fraternal greetings.

Zambian officials angrily reject suggestions that the marked change in the country's relations with the West has anything to do with Western aid to the economy. Yet only last December Dr. Kaunda withdrew from Anglo-American efforts to settle the Rhodesian problem and in early March senior officials were warning of the likelihood of Cuban involvement. Today Zambia is once again supporting the Western efforts.

On the surface there is little sign that the economy has passed the crisis. Sporadic shortages of essential goods such as tea, coffee, sugar, maize meal and cooking oil continue. A range of other items from bicycle tyres to spare parts for agricultural equipment is hard to come by.

But behind the scenes there is movement. The drawing of SDR 50m under the IMF stand-by programme, SDR 49m under the compensatory finance facility, and a further SDR 16m trust fund facility due later this month, has led to a reduction of arrears—which reached a peak of about $550m.

The import pipeline has shortened by three months and now goes back to April 1977. The intention, it seems, is to reduce this to between 10 and 12 months by the end of 1978, and to the normal 60-90 day trading terms by the end of 1979.

Overseas overdrafts of the local banks—following an over-issue of letters of credit—have been cleared. At the same time, government domestic borrowing is being strictly controlled, and *the mines have* introduced a series of cost-cutting measures in an effort to meet the IMF limit of K120m on their borrowing from the Bank of Zambia.

Formidable problems nevertheless remain. The Tanzanian *port of Dar es Salaam,* which handles 90 per cent of Zambia's trade, remains congested. About 70,000 tonnes of Zambian imports and between 100,000 and 120,000 tonnes of copper (about 15 per cent of annual production) have piled up.

In spite of efforts to attract new foreign investment there is little evidence of success. There must also be questions as to how effectively aid will be used. The overall calibre of the civil service and parastatals is poor and there remains an acute shortage of agricultural extension officers, who are vital if the declared aim of reducing dependence on copper by increasing agricultural production is to be met.

Finally, the test of the Government's handling of the economy is yet to come. Although it appears confident of staying within the IMF guidelines until the end of June, the next quarter (ending September) of the two-year IMF programme *may pose problems.* It is at this time that Government will need rigidly to enforce its austerity programme in the face of demands from ministries starting to feel the pinch. It is also at this time that general and presidential elections are likely to come.

Record yen loan for IBRD

BY DOUGLAS RAMSEY

TOKYO, June 8.

MR. ROBERT McNAMARA, President of the World Bank, today gave the green light for the World Bank's biggest ever borrowing in the Tokyo capital market.

He told a Tokyo press luncheon that a Yen75bn issue will be raised "in the next few weeks."

Mr. McNamara is making his first visit to Japan in five years. Addressing the press luncheon after two days of talks with Japanese ministers, he called on Japan to greatly increase its official development assistance (ODA) to developing countries.

He promised in return to work towards greater "harmony" between what Japan puts into multilateral aid agencies, and its *voting rights* in those organisations.

Although he did not touch on plans to expand the World Bank's capital base over the next ten years, sources say that a resource-doubling scheme—and Japan's contribution to it—were at the heart of discussions between Mr. McNamara and Japanese officials.

The American administration *is known to be* rather cool on the idea of increasing its contributions to the multilateral agency every year. Japan is ready to expand its aid programme.

Malaysia poll speculation

BY WONG SULONG

KUALA LUMPUR, June 8.

A CONFERENCE of Asian communications ministers, scheduled to be held in Kuala Lumpur later this month, has been postponed indefinitely, reinforcing the already intense speculation in Malaysia that the Government may hold general elections early next month.

The conference, sponsored by UNESCO, was scheduled to be held from June 19 to 24, but the Malaysian government has informed the UNESCO headquarters in Paris that it is unable to host the conference. The reasons for this were not disclosed.

Meanwhile, representatives of the nine component parties that make up the ruling National Front will meet this Saturday to thrash out their differences over the allocation of seats in the coming elections.

This is the main problem facing the coalition partners as some parties have threatened to field independent candidates against the officially nominated National Front candidates if they are not given more seats.

The Front parties control 132 out of the 154 seats in the federal parliament, as well as the governments in all the 13 states.

THE NEW LANCIA GAMMA. CATCH ONE IF YOU CAN.

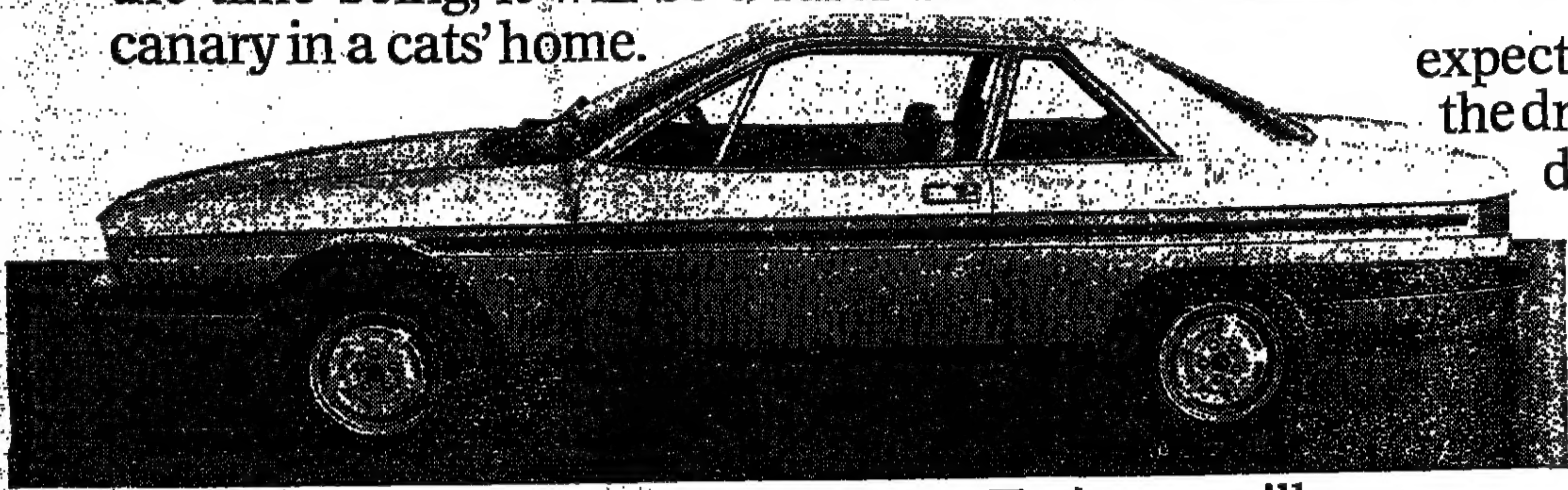
Lancia Gamma Berlina £7,135·83*

The new Lancia Gamma Gran Turismo isn't quite the fastest thing on four wheels.

A handful of very expensive cars will, we confess, comfortably exceed its maximum speed.

Nor does the new Gamma have the most astounding acceleration money can buy. Certain Ferraris, Porsches and such would, we admit, beat it from a standing start.

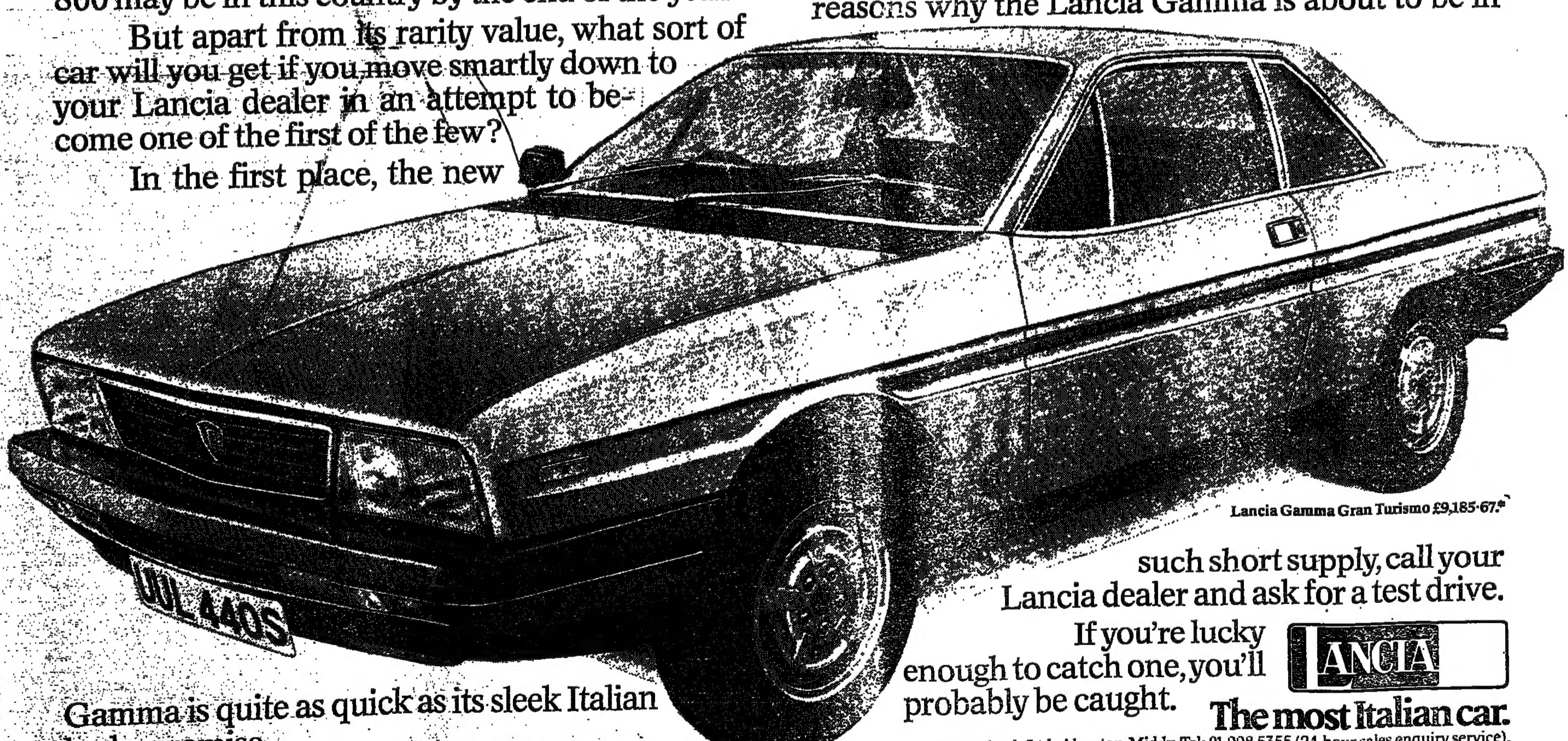
It's just that pre-launch demand for the new Lancia flagship has been so great that, for the time being, it will be a rarer bird than a canary in a cats' home.



In fact, no more than 400 Gran Turismos will appear on British roads over the next year. Gamma Berlinas will be a little more plentiful. As many as 800 may be in this country by the end of the year.

But apart from its rarity value, what sort of car will you get if you move smartly down to your Lancia dealer in an attempt to become one of the first of the few?

In the first place, the new Gamma is quite as quick as its sleek Italian looks promise.



Lancia Gamma Gran Turismo £9,185·67*

Its new 2½ litre boxer engine provides you with effortless speeds in excess of 120 mph. Even more important in these days of speed restrictions, the five speed gearbox enables you to reach more permissible speeds at a breathtaking pace.

The handling should please you too. It has front wheel drive (like most Lancias since the legendary Fulvia) that helps it take corners as if they were straight lines. Effortless but sensitive power steering. And power assisted, all-round, disc braking that is more than a match for the car's performance.

The Gamma is as luxurious as you'd expect. It has thickly padded, cloth covered seats, the driver's being adjustable to give you the perfect driving position, whatever your shape or size.

There is also an adjustable steering column. Thick carpets you'd be happy to lay at home. A heavily padded roof. Built-in adjustable head rests. Electric windows with central and individual controls. Even a remote controlled, electrically adjustable overtaking mirror to keep your right hand dry.

But if you'd like to find out for yourself all the reasons why the Lancia Gamma is about to be in such short supply, call your Lancia dealer and ask for a test drive.

If you're lucky enough to catch one, you'll probably be caught.

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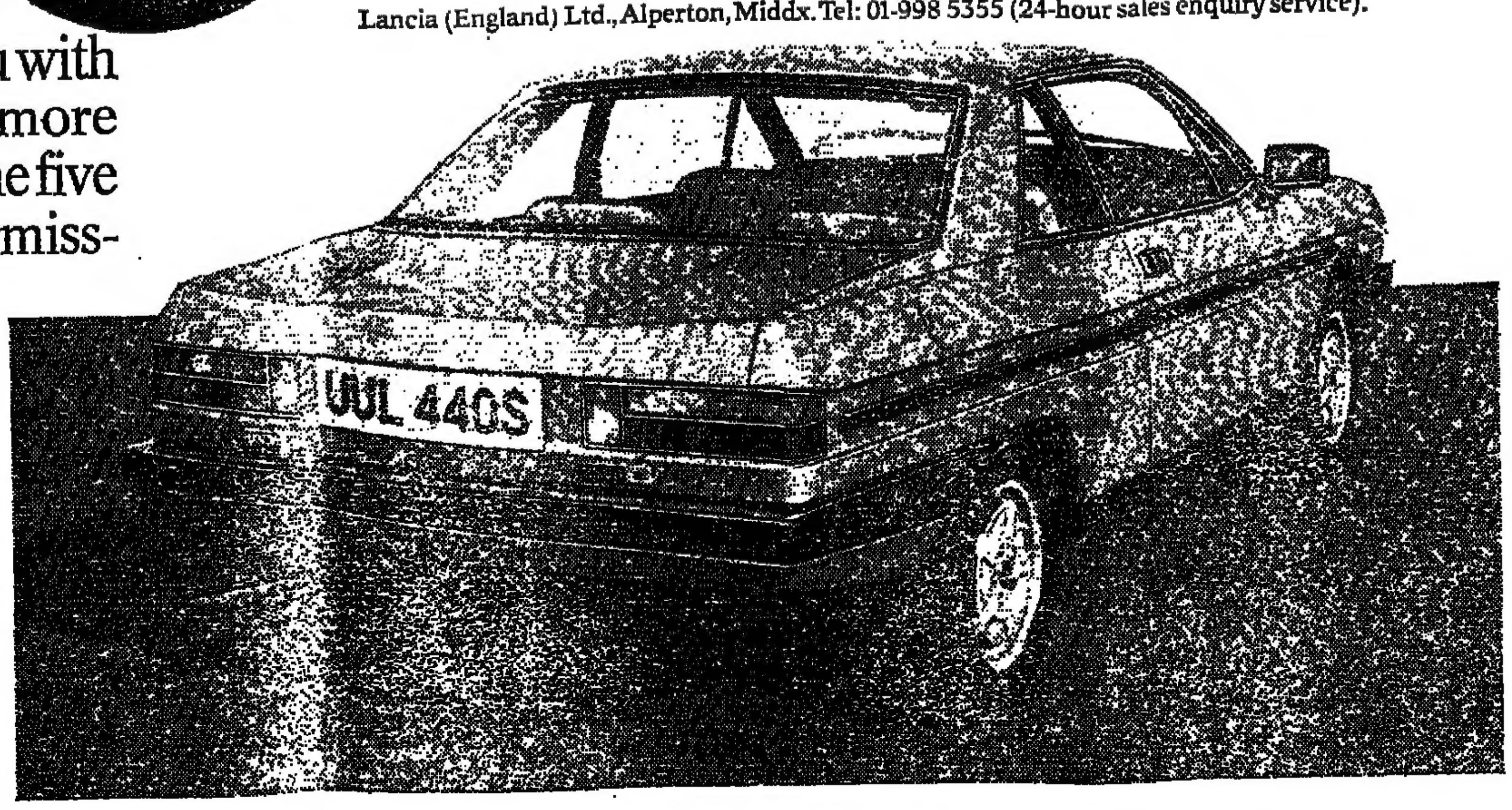


*Prices include VAT at 8% and car tax, inertia reel seat belts and delivery charges (UK mainland), but exclude number plates. Personal Export: If you are eligible to purchase a Lancia free of taxes, contact our Export Department.

U.S. steel producers make new price rises

By David Lascelles

NEW YORK, June 8.

U.S. METALS producers are continuing to edge up prices on selected products, blaming both higher production costs and strong demand.

Allegheny Ludlum Steel, the largest U.S. producer of stainless steel, increased its prices on certain types of stainless sheet and strip by 7½ per cent at the beginning of this month. Republic Steel has notified customers that it will be increasing stainless steel sheet and strip products from July 1 by an average 4.6 per cent. Yesterday, Colt Industries followed suit with a rise of between 4.5 and 5 per cent.

Colt said that demand for flat-rolled stainless steel products is currently "very high," and that the price rise was justified by higher labour and material costs. But he conceded that the company had not consulted the Government about the move.

Colt's move coincided with an announcement from Joslyn Stainless Steel of Chicago that it was imposing a surcharge of 3-6 per cent, depending on the type of product, to cover the increased cost of molybdenum, an important component of stainless steel.

The Administration is trying to get the steel industry to keep this year's price rises down to the average of the past two years —or 8.5 per cent. However, the stainless steel industry has managed to keep its prices fairly stable over the past 12 months, and the latest increases are unlikely to draw strong criticism.

The aluminium industry is also pushing up its prices, though with less boldness than steel. Alcoa, the largest maker of the light metal, said this week that it was reducing its 13 per cent planned increase for Finstock to 5.8 per cent this month, in line with an increase announced by Alcan, and today Reynolds Metals announced a similar increase in sheet used in the auto and beverage can industry.

Miller stresses need for balanced budget by 1982

BY DAVID BELL

WASHINGTON, June 8.

MR. WILLIAM MILLER, the chairman of the Federal Reserve Board, yesterday sketched out his long-range plan for the U.S. economy but said that, in the short term, the Fed would make no promises to lower interest rates in exchange for a tougher Administration fiscal policy.

There was no agreement between the Fed and the White House over interest rates, he said in a speech to members of the National Press Club yesterday, and urged the Administration to reduce the federal deficit for the coming 1979 fiscal year still further to below $50bn.

There are already signs that the Administration is at work on proposals that would have the effect of bringing the deficit down to about $48bn.

Mr. Miller said that interest rates had to be set against the background of "economic conditions that exist" but acknowledged that greater discipline in fiscal policy could not but have a good effect on monetary policy over time.

So far Mr. Miller's blend of polite firmness and understated warnings on the dangers of inflation have had some influence on the President. Analysts are thus taking a close look at the Fed chairman's long-range economic proposals, which may also have some effect on Presidential thinking.

The core of these is that the Government should aim to balance the federal budget by 1982. A major way to make progress towards this target, Mr. Miller said, would be to cut federal spending from the current 22 per cent. of GNP to 20 per cent. over the the next five years.

Such a reduction would mean that by 1982-83 the Government would be spending between $50bn and $75bn a year less than it would spend if its share of the GNP remained at its present level. At the same time, he said, the Administration should aim to reduce the inflation rate by between half and three quarters of a percentage point over the next five years "until we reach price stability with full employment."

The emphasis on finding new jobs should be shifted firmly towards the private sector, which should be given new incentives to invest, perhaps by liberalising depreciation terms. In the future, Mr. Miller said, there was also a case for looking at a reduction in capital gains taxes, but not this year.

The Chairman also backed a limited programme of tax cuts for individuals, said that the number of housing starts should rise by up to 100,000 units over the next five years, and said that the Administration's plan to boost exports was also going to be extremely important.

Broadly speaking, Mr. Miller's ideas are not very different from those of many businessmen who are concerned about the future course of the economy. Mr. Miller himself, of course, came to the Fed from Textron Corporation and it is not surprising that his views bear the stamp of the business community.

But the Administration is well aware that at the moment the emphasis on inflation on the one hand and the suspicion of Government on the other make a Miller-type programme attractive. Elements of what he is proposing were to be found in Mr. Carter's economic proposals during the 1976 election campaign, and it will be surprising if they do not find a receptive ear now that he is in the White House.

Developing countries gold purchases in IMF auction

BY OUR OWN CORRESPONDENT WASHINGTON, June 8.

THE International Monetary Fund (IMF) last night announced the result of the first of a new series of gold auctions, a two-stage sale that resulted in the disposal of some 1.39m ounces of gold.

Under the fund's new articles of agreement certain developing nations are now eligible to make non-competitive bids for gold which they may purchase at the average price offered for successful bids in the fund's monthly auction of 470,000 ounces. The amount they may purchase is linked to their quota position in the fund. Some 39 countries are eligible to bid for a total of 3.7m ounces of gold under this scheme.

In the regular auction, the Fund said it received bids for 1.07m ounces and sold the 470,000 ounces on offer at prices ranging from $182.86 to $183.92 an ounce making an average price for successful bidders of $183.09.

The auction yielded altogether some $196m

The competitive bidders who were successful in the regular auction were: J. Aron and Co. (New York); Bank Leu (Zurich); Bank of Nova Scotia (Toronto); Compagnie Luxembourgeoise de la Dresdner Bank AG-Dresdner Bank International (Luxembourg); Degussa (Frankfurt); Deutschebank (Frankfurt); Dresdner Bank (Frankfurt); Dresdner (South-East Asia) (Singapore); Eastern Trade Corporation (Dubai); Samuel Montague and Co. (London); Philip Bros., division of Engelhard Minerals and Chemical (New York); N. M. Rothschild and Sons (London); Swiss Bank Corporation; Swiss Credit Bank; and Union Bank of Switzerland (Zurich).

NASA salvage team acts to secure Skylab

By David Fishlock, Science Editor

EMERGENCY action to prevent the premature re-entry of the Skylab orbiting space laboratory is planned tomorrow by the U.S. National Aeronautics and Space Administration (NASA).

A 15-man salvage team led by Flight Controller Bill Peters will attempt to re-orient the big satellite to reduce its friction with the thin air of the upper atmosphere which is gradually causing it to spiral towards the ground. The team hopes to fire small thruster rockets that will roll the 85-ton satellite into a more streamlined orientation.

Even if it succeeds, this manoeuvre will be no more than an interim measure. But NASA has plans for a permanent solution late next year, when it hopes to test a novel way of boosting Skylab into a new orbit.

NASA's big problem, however, is whether Congress will authorise the development of a $20m rescue rocket in time to prevent re-entry. Its calculations suggest that, should Skylab re-enter the atmosphere, it could leave a trail of wreckage along a 3,000-mile path, in pieces weighing as much as two or three tons.

This contingency was anticipated and planned for in developing the Space Shuttle, NASA's recoverable rocket system, scheduled for its first trials next year. Late in 1977 NASA ordered a $35m system called tele-operator retrieval—a remote manipulator by which the Space Shuttle will be able to inspect, work on, even retrieve an orbiting satellite.

Brown to detail cuts plans

LOS ANGELES, June 8.

CALIFORNIA today took emergency steps to offset the $7bn property tax cuts for which its citizens voted on Tuesday, but State legislators predicted as many as 75,000 government employees may soon be out of work.

Governor Jerry Brown has called a joint session of the state legislature for later today to outline his plans to cope with the cut.

Mr. Brown signed an executive order, which came into effect today, freezing state jobs at their present levels.

Mr. Brown, who opposed the tax reform measure, said he would act immediately to implement it.

About 29,000 school teachers and other education department workers in the state have already been warned they will lose their jobs.

Reuter

Bulgarian debt agreement

BY OUR OWN CORRESPONDENT NEW YORK, June 8.

BULGARIA HAS joined the list of Soviet bloc countries seeking to settle their pre-war debts with the West.

Bulgarian negotiators have just reached preliminary agreement with bondholders here on settlement of two dollar-denominated bond issues made in the 1920s, when Bulgaria was still a monarchy, and due in 1967 and 1968.

The People's Republic will initially pay 2½ per cent of the principal amount due to bondholders, between next September and August, 1979. Bondholders who accept this settlement will then be eligible for a permanent settlement later in 1979, on a basis yet to be negotiated.

The Foreign Bondholders' Protective Council, which is conducting the negotiations with the Bulgarians, has recommended acceptance of this offer, which will be formally published some time before September.

The Bulgarian move comes after Hungary's recent settlement of its outstanding obligations in the U.S. capital market, a development which freed it from restrictions on capital borrowing here. Similar considerations may lie behind this move by Bulgaria, whose Western debts are relatively the largest of any East European country.

THE U.S. MEDICAL SERVICE

A suitable case for treatment

BY NANCY DUNNE IN WASHINGTON

WHILE OTHER western industrialised countries are wrestling with the rising cost of their government health programmes, the Carter administration is inching towards a public announcement of principles for extending national medical insurance for all Americans. The proposals are expected to go to Congress in late summer, but few legislators expect it to pass before 1980—if then.

Although the administration is moving cautiously and working with the labour-backed groups which have long favoured a government health care scheme, the ultimate package will be hotly debated. Polls show that Americans, in general, favour national health insurance. A Caddell survey last October found 51 per cent of all respondents willing to pay higher taxes to get a broader programme, and 75 per cent to be "very concerned" about the cost of health care. But the existence of powerful, well-financed lobbies opposed to such legislation makes its passage uncertain.

To buy time before a health programme could be devised, the administration last year introduced a modest Bill to contain hospital costs, which have been rising twice as fast as the general price level. But strong efforts by lobbyists representing the American Hospital Association, the Federation of American Hospitals and the American Medical Association (AMA) have even succeeded in keeping compromise Bills from the floor in either House. Mr. Joseph C. Califano, Secretary of Health, Education and Welfare (HEW), last month railed against the lobbyists "crowding the halls of Congress," trying to "keep the keys to the Treasury" and to protect their "towering profits."

The lobbyists' case has been abetted by the troubles which have plagued the federal government's more limited Medicare (for the elderly) and Medicaid (for the poor) programmes: Charges of inefficiency, waste and fraud have made headlines for years, and the costs have rocketed beyond their founders' wildest imaginings. Medicare and Medicaid are expected to cost $5bn more this year than last, a total of more than $40bn. Costs have gone up, as new patients were added to the rolls, from initial expenditures of $3.2bn for Medicare and $1.5bn for Medicaid when the programmes were begun in 1967.

The cost of treatment is soaring but most of the expense is covered by insurance.

While Congress and HEW have tightened government control of the two programmes and added more fraud inspectors to the payrolls, the unregulated costs of all medical expenses have continued to strain the economy. Health care, the third largest industry in the country after food and construction, now accounts for 10 per cent of the total production of goods and services—twice as much as in the 1960s. The total national expenditure for health has risen from $12bn in 1950 to an expected $200bn this year.

Several factors—some avoidable, some not—have turned the price spiral: the increasing cost of premiums, doctors must pay for malpractice insurance, the resulting rise in the number of tests now prescribed to avoid errors and malpractice suits, higher pay for underpaid hospital personnel, and the use of highly sophisticated expensive equipment.

Hospitals, which account for 40 per cent. of all medical costs, have been severely criticised for waste, inefficiency and over-building. Mr. Califano says that the 100,000 excess hospital beds cost the country about $2bn a year.

An uncertain factor in the cost picture is the lack of incentives for doctors to keep costs down. An average of 67 per cent of all doctor and hospital bills are paid by government or private insurance companies. Because many patients often have as much as 90 per cent of their expenses covered by insurance, they accept each test prescribed and see each specialist recommended although on average, 10 per cent of their incomes are now going to health care.

The President's Council on Wage and Price Stability in March maintained that doctors' incomes were rising faster than the incomes of any other occupational group. On average, their fees were unjustifiably high by established economic standards. In 1977, the council reported, physicians' fees rose 9.3 per cent or 50 per cent more than other consumer prices. In 1976 the median income of doctors was $63,000—"substantially above what is required to elicit an adequate supply of physicians." The council also attacked the AMA for viewing as unethical advertising, underbidding, charging less than prevailing fees and other competitive practices.

Whether or not organised medicine ever attempted to control doctors' fees by limiting supply, the number of doctors as a proportion of the population at large has continued to grow. From 1966 to 1976 the supply of doctors increased 24 per cent.

Some health economists contend that doctors' fees are high even where supply is the highest, notably in New York and Los Angeles. Prof. E. Reinhardt, a health economist at Princeton University, contends that each additional doctor creates from $150,000 to $350,000 in health care spending. He says the traditional laws controlling supply and demand fail in the area of medicine because consumers have little control over spending, because the sellers have little concern about keeping costs down and because expectations have risen and patients are demanding more and more expensive treatments.

The problem of run-away costs was seen early by Sen. Edward Kennedy, who as chairman of the sub-committee on Health and Scientific Research, has become the Senate's leading figure on health matters. In 1973 he got Congress to approve a limited Bill providing federal funds to encourage the development of Health Maintenance Organisations (HMO's), which offer comprehensive health services at fixed monthly or annual rates. Since then, the number of HMO's has grown to 170 serving 6.3 per cent. of the population but accounting for only 3 per cent. of the health expenditures. Most studies have come to the conclusion that the organisations offer efficient health care of a quality as good or better than in the fee-for-service sector and that their patients are healthier because of the heavy emphasis on preventive medicine and early treatment.

HMO's are expected to play an important role in President Carter's health proposals. Sources close to the Administration negotiations with pro-national health groups say the President will produce a plan which will give all Americans the option of having federally regulated insurance provided by a private insurance company or membership of an HMO. Costs would be paid 75 per cent by employers and 25 per cent. by employees—or by the government for the unemployed.

Japan to buy U.S. jets for hire

By Yoko Shibata

TOKYO, June 8.

THE Japanese Government has decided to buy three wide-bodied jets from the U.S. and lease them to South Korea through two big leasing companies to promote imports and curb Japan's embarrassing trade surplus.

Orient Leasing and Japan Lease have had talks with Korean Air Lines (KAL). They have approached the Ministry of International Trade and Industry (MITI) for dollar loans from the Export-Import Bank of Japan.

MiTi devised the plan for a leasing company to buy aircraft such as the EEC's A300 and the U.S. DC10 with government finance and lease them to airlines in south-east Asia, the Middle East and Africa. The Government adopted the foreign currency lending system for import financing on April 22.

MITI said it could not comment because talks have been private. However, it added, since the cabinet on March 11 adopted a policy of promoting aircraft imports "the Government would like to encourage imports of aircraft positively."

The proposed purchases are one new DC10 from McDonnell Douglas for Japan Lease, for about Y11.4bn ($52m) and two used Boeing 747s, for Orient Leasing for Y15.4bn ($70m).

The two leasing companies asked the Export-Import Bank of Japan to finance the whole $120m and the Bank of Tokyo to issue credit for the Eximbank loans. The jets will be leased to KAL on 10-year contracts. MITI, the Ministry of Finance, and the Eximbank are working on details of payment terms. Eximbank loans will probably carry an annual rate between 6 and 6.5 per cent and KAL will pay between 8 and 8.5 per cent for the rental.

Measures considered by the Japanese Government for cutting its surplus, include an advance payment of $1bn for uranium enrichment, and imports of Alaskan crude oil. However, there is no prospect that the proposals will materialise. The Government is thus inclined to accept the two leasing companies' application for foreign currency lending.

N. Sea oil boosts British earnings in W. Germany

BY GUY HAWTIN

FRANKFURT, June 8.

NORTH SEA oil is growing as a maojr export earner for Britain in the West German Market. In the first two months of the year UK oil accounted for 5.3 per cent of all west German imports of crude oil.

Britain's share of the West German market is very large indeed—it is understood to equal that of some of the major Middle East producers—and there is every indication that it is increasing. Deliveries to the Federal Republic only started in earnest last year and in the first two months of 1977 the UK's share of the market amounted to only 1.5 per cent.

Figures, researched by British Embassy trade officials from the Federal Statistical Office's returns show that compared with a year ago the value of UK oil shipments grew by 163.1 per cent in January and February. They rose from DM62.9m in the first two months of 1977 to DM165.4m (£43.4m).

The oil has given a major boost to Britain's export earnings in the Federal Republic. In the first quarter of the year, for which no detailed breakdown is yet available, UK exports to West Germany amounted to DM2.74bn (£718.2m) compared with the DM2.3bn of the first three months of 1977.

Non-oil exports in the first quarter of the year totalled DM2.46bn against DM2.14bn in the comparable period of 1977. At the same time, Britain's share of the total West German import market amounted to 4.7 per cent in the first three months of this year against 4 per cent a year earlier. Its share of the non-oil import market was 4.6 per cent compared with 4.2 per cent. Total exports were up by 19 per cent while non-oil sales rose 15 per cent.

The detailed figures for the first two months of the year show that at the end of that period imports from Britain were up by 28 per cent. Distortion, however, was inevitable in the opening months of the year. But it is encouraging for trade officials to note that sales of British wholly manufactured goods during January increased by an above average 19.3 per cent from DM 957.3m in the comparable period of 1977 to DM1.14bn.

Not only that, British exports to Germany during the first quarter were increasing far faster than the Federal Republic's overall import bill. This was up by only 1.5 per cent in first quarter of 1978, while non-oil imports increased by 4.2 per cent

Dell stresses exports

FINANCIAL TIMES REPORTER

BRITAIN DEPENDS more on exporting goods and services than any of her chief competitors, according to Mr. Edmund Dell, Secretary of State for Trade. These exports, he says, account for 29 per cent. of the gross domestic product. In West Germany the figure is 26 per cent.; in France, 20 per cent.; in Japan, 14 per cent.; and in the U.S., 8½ per cent.

Mr. Dell, speaking to an export conference for senior executives in London yesterday, organised by the National Economic Development Office and the British Overseas Trade Board, emphasised that in all those countries the importance of trade in goods and services had grown steadily, "reflecting reductions in trade barriers and increased international specialisation.

He added that there was a strong link between British export performance and domestic competitive performance. "In terms of the proportion of resources devoted to manufacturing," he said, "the UK's experience has not been markedly different from its competitors. The main difference has been in the rate of growth of productivity. This in general has improved less rapidly than elsewhere."

The UK export share of Commonwealth markets had fallen rapidly in recent years, he said, but that was part of a massive geographical switch in UK exports between 1950 and 1977, the most striking feature of which was the steadily growing importance of Western Europe. The development of more open markets in Europe, and Britain's greater dependence on them was particularly important.

"It is in Europe above all that we must show the capacity to compete. If we can compete in Europe, it will make easier export success in other parts of the world."

● Total UK exports are expected to increase by 3 to 4 per cent (seasonally adjusted) between the first and last six months of 1978, according to the Department of Trade's latest survey of short-term export prospects. That represents a recovery in the rate of growth after the small rise between the second half of 1977 and the first half of this year.

● Britain's furniture exports reached £77.97m in value in the first four months of the year, an increase of 22 per cent over the same period in 1977. The industry's central organisation for promoting overseas sales, BFM Exports, says the figures indicate a likely total for the year much higher than last year's record Q£211m.

Suntory shrugs off Scotch ban

BY KENNETH GOODING

IF EXPORTS of bulk malt whisky from Scotland were banned, Suntory, the leading Japanese whisky group, could replace the lost trade from its own resources, Mr. Keizo Saji, president, said during a visit to London.

There has been consistent, often vocal, pressure from Scottish interests, particularly some trades unionists, for a ban on malt shipments, which go mainly to Japan and Latin America. They say Scottish malt goes to improve the taste and quality of the more expensive Japanese whiskies and those whiskies might provide competition for Scotch in world markets.

Last year about 6m gallons of bulk malt worth £15m were exported from Scotland to Japan. The topic is under consideration by the working party at the National Economic Development Office, which is preparing a report on the future of the Scotch whisky industry.

Mr. Saji said Suntory in the past two years has doubled malt whisky production capacity to about 14.5m gallons after a £10.5m expansion of the Kakushu distillery.

He denied that Japanese whisky would ever provide a serious threat to Scotch outside Japan, although Suntory brands are produced locally in Mexico and Brazil and made available in the Philippines, Bulgaria and Thailand through bottling arrangements.

"Fox example, even with our very best efforts so far we have not been very successful in the United States and, to be realistic, I don't expect we will be."

With sales equivalent to more than $2bn, Suntory is among the world's top five drinks businesses, yet it remains privately owned. Mr. Saji suggested that future expansion outside Japan would be by acquisition. The group was looking at possibilities in food and beverages in the U.S. and Latin America, particularly Mexico.

In Japan, Suntory's expectation of a 15 per cent annual growth in the whisky market, which it dominates, was not fulfilled last year—expansion was between 13 and 14 per cent—and the group expects only a 10 per cent improvement in 1978 after a 34 per cent lift in the liquor tax from May 1.

Suntory sells about 240m bottles of its whisky each year and is the Japanese agent for Haig, which increased its share of a static market for imported Scotch last year.

The group entered the beer industry 14 years ago but has taken longer than expected to build up market share now 6.5 per cent. It wants 10 per cent at least.

Mr. Saji said Suntory has just bought a site for its third brewery, which should be ready in 1981, for about $21m.

Investment tour soon

Financial Times Reporter

THE DEPARTMENT of Industry is sponsoring a mission by Japanese businessmen from June 12-23 organised by the Japan Industrial Location Centre and the Invest in Britain Bureau.

It is to familiarise the industrialists with the climate for investment in the UK. The party will visit Northern Ireland; assisted areas in the North and West of England; Scotland and Wales; and some Japanese-owned concerns such as NSK and Daiwa Sports.

● The Department's eighth inward investment seminar this year is to be held in Brussels on June 13, to encourage further Belgian investment in British manufacturing.

LMT in £11m overseas orders

By John Lloyd

EXPORT CONTRACTS worth nearly £11m have been won by Le Materel Téléphone (LMT), a subsidiary of the French telecommunications company Thomson CSF, since its formation this year.

LMT takes in the export business of Société Française des Téléphones Ericsson, another Thomson-CSF subsidiary. Most recently, it has won an extension to an earliar contract for reconditioning and extending the Beirut telephone network, involving a further 18,000 lines.

The Thomson companies have won several small contracts in French-speaking Africa, including Cameroun, Chad, Guinea and the Ivory Coast.

EEC urges action on chemicals

BY CHARLES BATCHELOR

ROTTERDAM, June 8.

ACTION MUST be taken quickly to solve the problems of Europe's chemical industry Viscount Etienne Davignon, EEC Commissioner for Industry, told the annual assembly of the Dutch Chemical Industry Federation today. But he warned that unless there is a clear economic philosophy behind it, the problems will only be made worse.

Within the next few weeks the EEC Commission will meet the chairman of the European Council of Chemical Industry Federations (CEFIC) and the Association of European Plastics Manufacturers (APME). Competition from the U.S., Eastern Europe and in the longer term, the Arab countries will be the main areas for discussion.

It will consider not only the lower U.S. prices for raw materials and energy, but also the concentration of companies and levels of productivity. The Commission will in the next few weeks' weigh the disadvantages of the Europeans with regard to costs against the advantage of the possible abolition of the system of American selling prices.

The Commission hopes to have the results of a study on the extent of buy-back deals with Comecon countries before the end of this month. East European plans for petro-chemical production appear to considerably exceed their internal requirements. Since Comecon countries were not affected by the oil crisis, they do not appear to be aware of the sharp decline of the European market.

The Arab countries must also be persuaded to adjust the development of their chemical industries to the capacity of the world market. On the other hand the European petro-chemical industry does not make full use of the opportunities to stabilise relations with the Arab world.

The Community's industry has left the initiative for setting up gased-based chemical plants in Arab countries to the Americans and the Japanese.

Something must be done for the chemical industry but responsibilities must not be confused, Davignon said. The managers must take the decisions to solve the problem of over-capacity and the politicians and officials must see the rules are kept to. Developing countries often imagine the Commission has powers to direct events. The Commission sees itself as only a catalyst.

The Dutch chemical industry proposes a speeding up of the current time-consuming anti-dumping procedures in the Community, Mr. Eppie Ter Horst, the Federation's chairman, said.

The Dutch would like to see a system of "normal values," based on the cost of the most efficient European producer. If products were offered below these prices, the Commission could act more quickly on a complaint. He also called for a register of buy-back deals with Comecon countries and for minimum import prices to compensate for the low production costs in Arab countries.

A European approach to over-capacity must be considered and unco-ordinated support by individual countries must be opposed. Improved statistical information would allow a better analysis of the problems, Mr. Ter Horst said.

Japanese coal mining mission to China

A JAPANESE mission of 20 coal mining industrialists, governemnt officials and mining specialists will visit China from June 12-26 to exchange views on Japan's export of coal mining technology to China, AP-DJ reports from Tokyo.

The Japanese team, headed by Mr. Shingo Ariyoshi, president of Mitsui Mining, will tour Chinese coal mines, and discuss the possibility of a full fledged Japanese shipment of coal mining technology and safety measures.

Cut price air freight

As a result of a recent agreement with British Airways and Air Canada, Emery Air Freight has introduced an economy freight service to Canada which, in some cases, is less than half the cost of normal airline rates. It is available on direct flights from the U.K. to Montreal and Toronto, and by connecting flights to Calgary, Edmonton, Vancouver and Winnipeg.

Victor for the U.S.

Victor of Japan has signed a contract with Magnavox of the U.S. to supply portable colour video cameras for sale in the U.S. under the Magnavox brand name, Reuter reports from Tokyo.

Victor will ship 5,000 video cameras by next December.

N. Sea $10m deal

Dominion Bridge's Imodco unit of Los Angeles, in partnership with William Press Production Systems, of Britain, has an order worth more than $10m from BP for a single-point mooring system for the Buchan Field in the North Sea, AP-DJ reports from Montreal.

Nigeria cargo service

BY OUR INDUSTRIAL STAFF

THE FIRST container service from Britain into th port of Warri, Nigeria starts next month, with sailings from Cardiff and Antwerp, Belgium every 35 days.

The move is a result of agreement between the London-based Walford Maritime Group and Alhaji Aminu Dantata of Kaño. The new line between the two countries will be known as Sea Dantainer Lines. Walford Lines, part of Walford Martime, will act as general managing agents. UK port agents and loading brokers.

Conventional mixed cargo services are likely to start in parallel with th container service. A second container service could be introduced within six months.

All the services are designed to take advantage of the rapid development of Warri by the Nigerian Government. When completed by the end of next year, the port will rank as Nigeria's third port, serving a growing industrial hinterland. The Warri oil refinery is scheduled to come on stream later this year and a £400m direct reduction steelworks is under construction two miles from the port.

Israel sells more

Despite fears over the exchange rate of the Israeli pound and the abolition of subsidies, Israel's exports increased by more than 33 per cent in the first five months of this year to $1.6bn, L. Daniel writes from Jerusalem. Industrial exports, excluding polished diamonds, at $748m, were up 35 per cent compared with the period in 1977. Exports of gem diamonds rose by 39 per cent to $560m.

Yugoslav rubber plan

Badger, a Raytheon company, has received a letter of intent for a synthetic rubber (SBR) plant for Ina-Industrija Nafte, Zagreb, at the Ina Refinery at Sisak, Yugoslavia, a Financial Times reporter writes. Badger will handle design, engineering and supply of major equipment for the 40,000-tonne-a-year plant, to be built by Ina Engineering.

Canada keen to sell more to UK

By Our Own Correspondent

OTTAWA, June 8.

MR. EUGENE WHELAN, Canadian Agriculture Minister, has told Mr. John Silkin, the UK Minister, that Canada is anxious to gain improved access for Canadian cheddar cheese and quality wheat to British markets.

"Traditionally, Britain has been a strong market for Canadian wheat, tobacco, vegetables and fish. What is more, we have shared many traditional forms of production and marketing. Our agricultural ties are deep," Mr. Whelan said

Britain last year imported nearly $315m worth of food and feed from Canada. Mr. Silkin said he was interested in exploring with Canadian cabinet ministers how the UK's traditional links with Canada might be maintained, preserved and extended.

While the UK imported a large volume of agricultural produce from Canada last year and also exported a considerable volume of such goods, it was worth investigating how trade could be expanded in both directions, he said.

Fisons subsidiary sued for £3.5m

BY KEVIN DONE, CHEMICALS CORRESPONDENT

A SUBSIDIARY of Fisons, the UK cehmicals and pharmaceuticals company, is being sued for £3.5m in South Africa by a group of farmers.

The farmers claim extensive damage was caused to a large area of vineyards during sprayinging operations on adjoining land.

Fisons said yesterday it was fully covered by insurance for such incidents. But on the stock market its share price fell 8p during the day to close at 350p.

The company involved in the court action is Union Weedkiller Services, a subsidiary of Fisons Industries (Pty), South Africa.

It carries out ocntract spraying operations for the South African Railways and Harbours Administration.

Fisons said yesterday that its subsidiary was involved in spraying a herbicide, Tandex, on to a railway track as part of this contract.

"It appears that the chemical leaked from the railway track on to adjoining farmland due to a unique combination of soil and weather conditions, resulting in damage to vines."

Fisons said that the total damages had been estimated at £3.5m, but this had not been substantiated.

The writs claiming the damages were issued last weekend. The Fisons subsidiary has a contract to keep parts of the South African railway network free of weeds. In this instance it was using a herbicide, Tandex. This is manufactured by FMC the U.S. chemical company, and is marketed in South Africa by Fisons.

The pesticide is not used in the UK but was approved for use in South Africa in 1968. The land adjoining the railway track has course, sandy topsoil covering a layer of impervious clay. The weedkiller was apparently washed over the clay by heavy winter rainfall and on to the vines growing on the side of a valley. It allegedly caused the vines to wither and shed their leaves, ruining the harvest.

No publicity on London and County inquiry

THE councils of the two institutes of chartered accountants are publishing no results of their joint inquiry into the auditing of the affairs of London and County Securities, the secondary bank which collapsed in December 1973. The councils said yesterday this was due to civil and criminal proceedings pending.

In a statement the Institute of Chartered Accountants in England and Wales said that the committee of inquiry established jointly with the Scottish institute presented its report to the council on June 7. It had been intended in the report to suggest an appropriate public statement, but they institute deemed both statement and publication "inappropriate" in view of the legal proceedings.

The Scottish institute could not even receive the committee's report, "for constitutional reasons."

Vouchers 'waste'

A scheme backed by the Tories to give parents vouchers to "cash" at schools they preferred, thus giving greater choice, would cost £300m-£400m and be "a waste of taxpayers' and ratepayers' money, administratively inefficient and educationally foolish," Mrs. Shirley Williams, the Education Secretary, told a NUT conference in London.

Kent County Council, with a big Tory majority, considers a recommendation for pilot voucher experiments on Monday.

Taxmen clean up

Duty paid by off-course bookmakers rose in April by £4m to just over £15m, which is £2.55m more than in April last year, said Excise provisional statistics. Total general duty, including on-course bookmakers and totalisators, was £16.27m in April, £4.27m more than in March and £2.71m above April 1977.

Aid from Europe

BICC, the electrical cable manufacturer, has been lent £5m for ten years by the European Investment Bank to cover half the cost of modernising and expanding its copper refinery on Merseyside. It is said that this will save 350 jobs in an area where unemployment is about twice the national average.

Lucas case ending

Committal proceedings against Lucas Service Overseas and CAV, two companies in the Lucas Industries motor components group accused of breaking the Rhodesian sanctions, are expected to finish today at Aylesbury. The companies, with two individuals, face charges involving £154,403, brought under the Customs and Excise Act 1952 and alleging breach of the Rhodesia United Nations Sanctions Order.

Green Paper probe

The newly-formed Commission on Energy and the Environment has decided to review the main environmental issues raised by the Government's Green Paper on energy policy. It will consider long-term pollution risk of converting coal into gas and other fuels, and the environmental impact of solar and tidal energy, but will only "keep abreast" of the nuclear power debate.

£1,000 in tax

NEARLY £1,000 of income-tax will be collected per household during 1978-79, Mr. Robert Sheldon, Financial Secretary to the Treasury said in a Commons written reply.

If amendments made to the Finance Bill during its committee stage were confirmed, the amount of income-tax expected to be raised per household was £939, he told Mr. John MacgGregor (C., Norfolk S).

Talks to save Wheal Jane break down

BY PAUL CHEESERIGHT

NEGOTIATIONS BETWEEN the Government and Consolidated Gold Fields on a formula which would keep open the Wheal Jane tin mine near Truro, in Cornwall, have broken down, Gold Fields said yesterday.

Hopes of keeping the mine in operation now rest on talks which the Department of Industry is having with an unnamed mining group. A statement is expected today.

The impending closure of Wheal Jane was announced on April 26 and production stopped on May 8. The company believes that an economic return from the mine is unlikely, although this view has been contested locally.

The Gold Fields talks hinged on the composition of a package, including Government aid, which would allow the company to proceed with development work at the mine in the hope of reaching ore to provide the basis of an ultimately profitable operation. But, there would have been no production for up to two years.

This would have meant a Government investment without guarantee of return. Gold Fields was prepared to make only limited funds available. Neither side has been prepared to make a financial commitment suitable to the other.

The Government, from yesterday morning, took over the responsibility of paying for the mine's pumps to be kept working. It is also paying for the pumps at the neighbouring Mount Wellington mine, owned by Cornwall Tin and Mining, which has ceased production.

The two mines gave work to about 800 people in an area where the unemployment rate is double the national average, thus prompting vigorous Parliamentary and union action to keep the mines open.

Verdicts expected today in dollar premium case

FINANCIAL TIMES REPORTER

VERDICTS are expected at the Old Bailey today in the case of Mr. John Martin Wales, the suspended Bank of England official, who is accused of involvement in a plot with five other people to get £1m, by wrongful use of the dollar premium.

He was allowed bail last night while the jury, which has been trying him for more than two months, went to an hotel for the night.

The jury had been out for nearly two hours after Judge Buzzard, QC, had completed his summing-up in this section of the trial, which already has resulted in guilty verdicts against two other defendants.

Judge Buzzard had advised the jury to treat each case separately, and gave a warning to them not to be influenced in their consideration of the case against Mr. Wales by decisions on other defendants.

Mr. Wales, 42, of Chislehurst, Kent, denies two charges of conspiring between 1975 and 1976 to obtain money dishonestly from authorised dealers in investment currency. The case is that he became involved in a plot to get dollar premium rebates on securities which had not been held for the requisite length of time.

Earlier this week the jury found Leonard Basil Ash, 39, panel beater, guilty of conspiring to obtain money dishonestly from authorised dealers and of forging two documents with intent to defraud; and found Adrian James, solicitor, guilty of making a false statement under the Exchange Control Act.

The judge discharged the jury from giving a verdict against Mr. James on a charge of conspiring to evade the dollar premium rules which will lie on the file.

Verdicts against the two remaining defendants, John Robson, 57, and Reginald Atkins, 50, company director, are expected later this week or early next week.

British Airways challenge to IATA on fares

BY PAUL TAYLOR

BRITISH AIRWAYS will probably pull out of the International Air Transport Association unless the association accepts radical changes to its structure to deal with the challenge of cheap air fares. These changes, if implemented, would bring wider choice and less uniformity of service for airline passengers.

Mr. Ross Stainton, chief executive of British Airways, writing in the latest issue of the company magazine published today says IATA must change or "go the road of the dinosaur."

He is a member of the five-man working party set up at the association's annual meeting in Madrid last November to study ways of bringing the association more into line with the changing moods of governments and air travellers.

That task-force has now prepared a report to go before a special general meeting of IATA's 113 members in Montreal on June 30. Among the recommendations made by the working party, and endorsed by the association's executive committee, are two which Mr. Stainton describes as "fundamental."

These are the introduction of a two-tier membership structure and the right of an individual airline to decide the fares it charges on its "bread and butter" routes into and out of its its own country. Together these proposals, if accepted, will revolutionise fares-making procedures. Other proposals are thought to affect rating rights within IATA, with the old uniformity rule giving way to the simple majority.

Mr. Stainton says the pressure for low fares is the "most important challenge of this decade" and is "absolutely vital to our future success." He says low fares are here to stay and that the present IATA framework does not allow airlines to remain competitive and profitable in this climate.

The second major proposal put forward by the working party would enable national carriers—like British Airways—to charge the lowest fares they could afford on direct services to and from their own country rather than having to charge a higher fare to suit an airline not primarily dependent on those routes for its basic revenue.

Mr. Stainton says "we are not prepared to be forced by other carriers who do not depend on the route for a living into charging higher fares than we need simply because they can't meet our cost level."

He says if the proposals are agreed, IATA would be freed from the "cartel" label and could have a "useful and constructive future." British Airways would then have to decide whether it wished to be an IATA member at both levels or simply join the "trade association."

Chairman is paid £380,000

BY MICHAEL LAFFERTY

THE chairman and chief executive of Ireland's Jefferson Smurfit group was paid £380,000 last year, which was £130,000 more than the previous year. Mr. Michael Smurfit received the equivalent of the aggregate remuneration of the chairman of BP, Unilever, GKN, BAT and ICI.

Mr. Smurfit, one of Ireland's leading industrialists, has a profit-sharing agreement with the group whereby he receives 2½ per cent of pre-tax profits, subject to the exclusion of profits of around £750,000 relating to some of the older parts of the group.

Jefferson Smurfit increased its overall pre-tax profits for the year to January, 1978 by more than 50 per cent to £16m. The group's activities extend from print and packaging to paper and board manufacture and 50 per cent of its £176m turnover relates to the U.K.

Mr. Smurfit's brother, Jefferson, group deputy chairman was also entitled to £380,000 for his services last year. However in what a fellow Smurfit director yesterday described as "a very meaningful gesture on his part," Mr. Jefferson Smurfit is waiving £100,000 of this.

Total directors' remuneration at Jefferson Smurfit increased from £470,000 to £863,000, according to the company's annual report yesterday.

Inflation rate 'not moving up again'

By Our Consumer Affairs Correspondent

THE PRICE COMMISSION yesterday rejected suggestions that the underlying rate of inflation is picking up again.

The rate of increase in the commission's index of price rises notified to it had fallen fractionally in May, said Mr. Charles Williams, the commission's chairman.

Mr. Williams has been at pains in the past to keep the commission outside the political arena, but his remarks yesterday appeared to be aimed at Conservative politicians who have claimed that the April fall in the Retail Prices Index was nothing but a mirage and the underlying rate of inflation is moving upwards again.

Mr. Williams said that the trend in the commission's figures, which usually take about three months to work through to the shops, was still "pretty flat" and that, if anything, it might be heading downwards.

● The Price Commission yesterday gave the Thames Water Authority a clean bill of health. The Authority had originally intended to raise its charges by 9.5 per cent in the spring but this was cut back to 7.2 per cent while the commission carried out its three month investigation.

In its report on the authority, published yesterday, the commission did not recommend any restriction in water prices so the authority is now technically free to raise its charges by a further 2.3 per cent. Thames Water has decided, however, to wait until next April before raising its prices again.

A KEY FEATURE OF THE GOVERNMENT'S PACKAGE

Why the corset has been reintroduced

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A KEY feature of the Government's monetary and fiscal package is the reintroduction of the so-called corset controls to squeeze the growth of the bank's activities.

The corset is the popular name for the supplementary special deposits scheme—first introduced in December 1973 and last used between November 1976 and last summer.

The scheme involves broadly the same mechanism as when last applied, though the limits are tighter. It means that banks are penalised if their expansion is more than laid down in a detailed notice published yesterday by the Bank of England.

The corse has been reactivated and Minimum Lending Rate increased in response to City concern about the acceleration in the rate of growth of the money stock in the early months of this year and the low level of sales of gilt-edged stock in the last couple of months.

The Bank of England pointed out that short-term interest rates had been raised recently, but, in conjunction with the fiscal measures announced yesterday, further monetary action was required to ensure that the growth of the money stock will be well within the target set at the time of the budget — an annual rise in sterling M3 of 8 to 12 per cent.

The corset scheme is intended to help towards meeting this aim by operating directly on the interest-bearing eligible liabilities of the banks, which have increased rapidly since around the beginning of the year.

It does not affect the non-interest bearing current account deposits of the banks but concerns money acquired through the wholesale money markets and deposits taken at branches on which the banks pay interest.

By squeezing the deposits of the banks, the corset effectively limits the room for expansion in their lending.

Consequently if the growth of the interest bearing eligible liabilities of all banks (except those in Northern Ireland) and deposit-taking finance houses exceeds the specified limits, then penalties will have to be paid.

This will involve the placing with the Bank of England of non-interest bearing special deposits. These deposits would be placed on a sliding scale: so if a bank's interest eligible liabilities are well over the limit then the bank would suffer a large loss of interest on its deposits.

The scheme is stricter than when applied in 1976-77 because the base period is longer and covers six rather than three three months.

There have been repeated warnings from the Government that this method might be adpoted if the corset was reintroduced. This is in order to deal with window-dressing by the banks under which they have increased their interest bearing eligible liabilties in anticipation of the reactivation of the corset.

The result of the banks' window-dressing activities is that their interest bearing liabilities on the last banking make-up day in mid-May were about 3½ per cent above the limit.

The banks will have to reduce their relevant deposits within the next couple of months if they are not to incur penalties.

This may lead to a fall in the money supply, as in the early months of 1977, as these adjustments are made. So the reactivation of the corset may have a partly cosmetic impact on the banking and money statistics.

Special deposits will not have to be lodged with the Bank of England until November. This will only happen if the average of a bank's interest-bearing resources for the three months of August to October exceed by more than 4 per cent the average amount outstanding on the banking make-up days in the six months of November, 1977 to April, 1978.

The rate of deposits required will rise depending on the excess rate of increase of a bank's interest bearing resources.

Thus if the excess is 3 per cent or less the rate will be 5 per cent. But if the margin over the limit is more than 3 per cent but not more than 5 per cent then the rate will be 25 per cent. Thereafter the rate will be 50 per cent of the excess growth in interest-bearing liabilities.

Institutions with average interest-bearing liabilities of less than £10m will not be liable to pay supplementary special deposits. Any bank attaining an average of £10m or more will become subject to the scheme.

The Bank of England pointed out that in order to conform with the limitation of the growth of their interest-bearing resources banks and finance houses will need to restrain the growth of their lending.

National Insurance surcharge up 2.5%

THE GOVERNMENT will table a Ways and Means Resolution and Finance Bill New Clause providing for an increase of 2.5 per cent in the National Insurance Surcharge, to take effect from October 2.

It will reduce the public sector borrowing requirement this financial year by £500m. The full year revenue effect is estimated to be £1.5bn.

The surcharge came into effect on April 6, 1977; the relevant legislation is contained in the National Insurance Surcharge Act 1976.

It is levied as a percentage surcharge on employers' National Insurance contributions; it does not apply to employees' contributions or the self-employed. Churches and charities are exempt. The rate of surcharge since April 1977 has been 2 per cent.

The surcharge is collected, at virtually no administrative cost either to Government or to employers, by Inland Revenue on behalf of the Department of Health and Social Security as an integral part of the National Insurance system.

Employers calculate, from contribution tables distributed before the beginning of each tax year, the inclusive amount of National Insurance contribution and surcharge payable in respect of each employee, and remit the total National Insurance payment each month, together with pay-as-you-earn income tax, to the Collector of Taxes.

The mid-year change in the rate of the surcharge will necessitate the preparation and printing of new contribution tables. It is intended to distribute these tables in August, which will leave employers time to make their preparations before the new rate comes into effect.

BNOC may sell crude Middle East oil

BY KEVIN DONE

THE BRITISH National Oil Corporation may sell significant amounts of crude oil from the Middle East next year, as well as oil from the North Sea.

The Middle East oil would be supplied under the participation agreement between the Department of Energy and British Petroleum.

This gives BNOC the option to buy up to 51 per cent of BP's North Sea output, which accounts for more than half total UK production.

BNOC can retain 12 per cent of BP's Forties Field production in 1979—the field should produce more than 500,000 barrels a day next year—but BP can buy back the other 39 per cent available to BNOC.

Under this complex arrangement, if BP exercises its buy-back rights it must supply BNOC with Middle East oil of equivalent value.

According to Petroleum Intelligence Weekly the State oil corporation could buy 266,475 barrels a day from BP next year of which it could retain 62,700 barrels a day. This would include oil from BP's share in the Ninian Field.

If BP buys back the rest at the current price of $13.70 a barrel, it would have to supply BNOC with 225,337 barrels a day of Middle East oil, valued a an average of $12.50 a barrel.

The report says that by the end of this year BNOC expects to sell 175,000 barrels a day of North Sea oil. Much of this will be participation oil from the Occidental group's Piper and Claymore Fields. But it will also include BNOC's equity share from the Ninian, Thistle and Dunlin Fields, expected to run at some 50,000 barrels a day.

BNOC may expect to break even on its present oil trading, according to a report from Wood Mackenzie, the stockbrokers specialising in the oil industry.

It has been suggested, says the report, that BNOC has sold crude at 5c to 10c loss a barrel. In fact it is thought that BNOC has lost 2s to 3c at most, and it may be less, according to Wood Mackenzie.

"It appears that BNOC has not made a loss on its Flotta participation crude," the oil coming from the Piper and Claymore fields, it says.

New calls to cut rig men's tax

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT may soon face new pressure to cut the tax of oil-men working in the UK sector of the North Sea.

Men working on the production platforms of British Petroleum's Forties Field, the most important to the economy, have called on British Petroleum and the UK Offshore Operators' Association to bring their tax position more into line with that of merchant seamen.

Through the staff consultative committees of Forties the men demand that they, and workers in other sea oil fields, be made exempt on the first 25 per cent of taxable income.

The production workers, who on Forties platforms earn between £6,000 and £12,000 a year, say that domestic pay restraint means they are falling behind operators working offshore in other oil-producing countries, including the Norwegian sector of the North Sea.

The Government has already relented under pressure from the oil industry and made divers a special tax case. They continue to be treated as self-employed men. Those working on the platforms say they too should be treated as a special case.

For 23 weeks in the year they are away from the U.K. and its facilities, they say. "We are a factory 110 miles from nowhere," said one Forties worker.

A senior employee on the Forties Bravo platform said: "The men on Forties know that they are carrying Britain. If they can use this lever they will."

He stressed that there was no threat of industrial action.

Mr. Basil Butler, general manager of BP Petroleum Development, said that UK pay restraint meant that BP also found it difficult to match salary levels of some of the "newcomers" to the North Sea, among them the State-owned British National Oil Corporation. So BP was losing a few men a month to these companies.

Mr. Butler said that BP was reserving its position about its investment in the sixth round of offshore licences.

Mr. Quentin Morris, a director of BP Trading, said that the company proposed to spend £1.25bn on its Magnus Field.

Oak dresser fetches £2,600

SALEROOM

BY ANTONY THORNCROFT

AN EARLY Georgian oak dresser 66½ inches wide, at £2,600 was the top lot in yesterday's sale of English and Continental oak, pewter and metalwork at Christie's. It was bought anonymously in a sale which made £47,194.

In other lots Sorgeloose, the Belgian dealer, paid £2,000 for a Louis XV oak cabinet from the 18th century, and Russell, the Dutch dealer, £1,600 for a Flemish oak writing table from the mid-17th century.

With results from the final day of Christie's sale of the contents at Ravenscliff, St. Davids Pennsylvania, still to come a new record for house sales in the U.S. has already been established.

At the close of business on Wednesday the total for the sale stood at $1,599,568 (£883,739), substantially higher than the $1.3m set at the Rockefeller Dodge sale in New Jersey in 1975. About $309,367 (£170,920) of the total was contributed during Wednesday's sale.

A life-size model of a fox with prey, the sculpture signed Rowland Ward, London, 1903, was the third day's top lot at $19,800 (£10,939).

Among the silver on offer, a large feather-edged Old English pattern composite table service by assorted makers with dates ranging from 1775 to 1935 made $13,200 (£7,292). It was bought by Colket, the Maryland dealer.

Bonham's sold European pictures for £81,355 yesterday. "A German Hunting Party," by Magnus Prasch, sold for £4,800; and "Roba di Roma," by Keeley Halswelle, for £3,200 to Ledbury.

The Sotheby's jewels sale totalled £209,834. A rectangular diamond ring sold for £11,000, and a diamond bracelet for £6,600. An emerald ring fetched £6,500. A collection of jewellery sold by Elsie and Doris Waters realised £8,085.

A minor auction of English drawings and water colours brought in £17,766, with a best of £1,000 for an album of 53 French military uniforms, by Orlando Norie.

At Sotheby's Belgravia, silver brought in £53,026. A Martin Hall and Co. four-piece tea set of 1863 sold for £1,250, and an Elkington Mason oval tea tray of 1853 for £1,200.

Genetic researchers face £1,000 fines under safety laws

BY DAVID FISHLOCK, SCIENCE EDITOR

FAILURE to notify the Health and Safety Executive of an experiment in "genetic manipulation" will make a researcher liable to a £1,000 fine, under safety regulations to be introduced on August 1.

The scientist or his employers would be charged under the Health and Safety at Work Act, for failure to observe what are believed to be the first statutory regulations controlling the new experimental techniques to be introduced anywhere in the world.

A student or entrepreneur working in his own time would be no less liable than a salaried scientist, under an extension of the Act.

Genetic manipulation—defined as attempts to make new forms of heritable material—is attracting widespread scientific interest as a potential way of making very complex chemicals such as drugs, of improving the performance of crops, and conceivably of modifying human characteristics.

But according to Mr. John Dunster, deputy director of the Health and Safety Executive, the experiments are "not the sort of thing you can do in the garage."

He has recruited his own specialist in the field to advise, but the executive also plans to continue to consult the Genetic Manipulation Advisory Group, a committee of experts set up by the Department of Science. So far about 30 British research groups have advised the group of their plans to carry out over 120 experiments.

Questioned about the level of risk being courted, Mr. Dunster acknowledged that one of the problems was that "we don't really know." In his view it had been argued persuasively that the level of risk is extremely low.

The kind of speculation which has taken place, however, hypothesises that a micro-organism which has been altered by genetic manipulation to make it a voracious destroyer of oil in the sea could have profound consequences if it found its way into a commercial oilfield.

Health and Safety at Work: Genetic Manipulation; SO, 70p.

Minister rejects change in women's pension rules

BY ERIC SHORT

THE GOVERNMENT has rejected the plea from the Disability Alliance that disabled married women over 60 should be eligible for the non-contributory invalidity pension.

This pension, which began in November 1977, is paid to any married woman who is incapable of performing normal household duties and of doing paid work.

Under the existing rules only women under the official retirement age of 60 are eligible for the benefit, although on reaching this age they can opt to continue receiving this pension if their retirement pension is lower. No account is taken of the husband's earnings.

But women over 60 who cannot claim retirement pension in their own right, because they have not a sufficient contribution record, cannot claim a pension on their husband's record unless he has reached 65 and has retired from work.

Thus there are disabled married women, not eligible for either the invalidity pension or the retirement pension and the Disability Alliance has been pressing the Government to extend its scheme to cover these women.

Mr. Alfred Morris, Minister for the Disabled, in a letter to the Alliance, reaffirmed the Government's view that once a person had reached retirement age, title to income maintainance benefits should depend upon entitlement to retirement pension.

Mr. Morris said that the Government does not think it would be right to give married women who become incapable of performing their household duties after 60 exceptional treatment.

The Alliance yesterday expressed disappointment with the Minister's answer and has asked him to re-examine its proposals.

Machine tool technology ahead of users

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

MACHINE TOOL technology has probably outstripped users' capabilities to take advantage of it, Mr. Bill Vaughan, chairman of the Council of the Machine Tool Industry Research Association, says in his annual report.

The rate of technological advance in the last few years has probably been greater than at any previous time in the industry's history, he maintains.

But some machine tool manufacturers in the UK have failed to keep pace with the parallel advances in such fields as tribology and terotechnology.

Mr. Vaughan suggests this was perhaps the most important conclusion to be drawn from meetings during the past year, arranged by the association, at which machine tool users discussed problems with manufacturers.

The meetings with users also showed the importance of sound basic design.

Chrysler drops Scotland team

BY CHRISTOPHER DUNN

CHRYSLER yesterday cancelled the last £20,000 of its advertising campaign featuring Scotland's World Cup team with the company's Avenger car. About £80,000 has been spent so far.

Chrysler said the decision was prompted by Scotland's drawn game against Iran on Wednesday evening. The Chrysler campaign, due to end on Saturday, would have been reviewed after the team's final game on Sunday against Holland.

"But with the results from last night, we saw no point in going ahead," Chrysler said.

The campaign, which started in the Spring, had been highly successful, and inquiries for Chrysler cars in showrooms had risen.

Chrysler denied that its decision was linked with the drug imbroglio involving player Willie Johnston, which led to the winger being sent home from Argentina.

Cancellations at this stage would not affect the players' pool of advance royalties and fees from various promotions, said Mr. Alastair Young, an executive with International Consultants, a Glasgow company which has been organising the Scottish team's promotion campaign. About £157,000 had been paid into the pool from such advances.

The pool value could top £200,000 eventually, since many of the deals involved extra payments based on a percentage of profits.

About 40 companies are involved in all including Esso (selling World Cup beer mugs at petrol stations); Tennants (beer mats); Trustee Savings Bank (official World Cup book); Valentines of Dundee (World Cup poster); Umbro (World Cup football kit); and M. R. Shanahan (T-shirts).

Smirnoff has changed the cartoon in its "They said anything could happen" campaign in Scotland for this Saturday to exclude any reference to the World Cup. Space booked on June 19 has been cancelled.

Scottish and Newcastle Breweries, which has been running a press and poster campaign for about eight weeks on the slogan "Scotland, we're right behind you," said it had no plans to cancel the campaign before Sunday.

Highlands Board will seek wider land use powers

BY RAY PERMAN, SCOTTISH CORRESPONDENT

PROPOSALS by the Highlands and Islands Development Board to increase its powers over land use are to be put to the Government later this month.

The Board has long thought that productive use of land is the key to successful redevelopment of the Highlands and that its ability to compulsory purchase property, which is being deliberately neglected, is inadequate.

It has been discussing ways in which its powers can be extended, and had won some agreement from landowners and farmers. Nevertheless, the proposals, when they are announced, are bound to be controversial and politically sensitive.

Professor Kenneth Alexander, chairman of the Board, said yesterday that the proposals would contain some novel features.

"The Board has no aspirations to become a substantial landowner. Our objective is to ensure that land is used in ways which provide employment and incomes and sustain family life, particularly in the more remote areas.

"There have been cases where the policy or attitude of a particular landowner has frustrated this objective and it has been clear that the powers provided in our establishing Act are not adequate to enable us to provide a solution to the difficulties which can arise."

Reviewing the last year in the Highlands, which is covered in the Board's annual report, Professor Alexander said the rise in unemployment to an average rate of 8.4 per cent against 6.9 per cent in 1976 had been the most disturbing feature of 1977.

The fall in the number of jobs provided by the oil industry meant that, temporarily at least, the benefits of oil were no longer enough to offset the effects of the world recession.

The end of the Job Creation Scheme after this year would also have a serious effect on employment, particularly in the Western Isles, where it has been extensively used.

An encouraging sign was the 45 per cent increase in the number of new applications to the Board for support for commercial projects. This demonstrated that there were firms with confidence in the region's future who were willing to invest.

Highlands and Islands Development Board's Twelfth Annual Report, Bridge House, 27, Bank Street, Inverness, IV1 1QR. £1.75.

Call to remove tax on company health schemes

FINANCIAL TIMES REPORTER

A CALL to the Government not to tax individuals on health insurance benefits provided by their employers was made yesterday by Sir Michael Milne-Watson, chairman of British United Provident Association the biggest medical insurance agency in the United Kingdom.

Speaking at the annual meting, he pointed out that every private patient relieved the National Health Service of considerable cost since the independent sector of medicine provided excellent hospital facilities at no extra cost to the Exchequer. In addition, the private individual covered by medical insurance also paid his taxes and national insurance contributions.

In such circumstances, with independent medicine making a growing contribution to the hospital services in the UK, it was debatable whether a company, which voluntarily covered its staff for health insurance, should be regarded as providing a "fringe benefit." He was convinced that such individuals whose employers sought fit to insure, should not be taxed on the cost of that insurance.

Where a company provided a group health insurance scheme covering private hospital costs and surgeon's fees with other benefits, the Inland Revenue taxed the employers' contribution in respect of the employees covered as a benefit in kind.

Sir Michael also referred to the progress of the association in running its own hospitals, as distinct from those operated by Nuffield Nursing Homes Trust, the largest private hospital chain in the UK. This is run as a charity sponsored by the association. Under this new development, the association acquired a hospital in Manchester to be known as BUPA Hospital Manchester which, while open to the public, will offer preferential admission and charges to subscribers to the association.

Poor turn-out by accountants

BY MICHAEL LAFFERTY

ONLY 170 accountants from the 65,000 membership of the Institute of Chartered Accountants are turning up at the annual conference in Brighton starting today.

This is only slightly more than half the expected attendance, and means that the institute will fall substantially short on the expected contribution from what is meant to be the top event of the body's professional year.

Mr. Eric Hunt, director of post-qualifying training at the institute, said yesterday he was very disappointed at the attendance figures. All possible measures would be taken to avoid a repetition, he said.

One finance director who will be at Brighton criticised the profession for producing such a poor response. It indicated "frightening apathy," he said. Some senior accountants are highly critical of the content of the conference, which is largely devoted to special interest sessions on subjects like the "green pound," "family finance" and "deferred tax."

Another possible reason mentioned for the poor turnout may be a fear that if a company or firm paid for a wife to attend this would simply be assessed as a taxable fringe benefit by the Inland Revenue.

Among the main speakers at the three-day conference, which wives and husbands also attend, are Sir Monty Finniston, speaking on British management in the public and private sectors, and Mr. John Davis, the Shadow foreign secretary whose subject is Britain and Europe.

Attendance at Brighton, at a cost of £120 per person, would count towards the 120 hours of post-qualifying education which chartered accountants are supposed to receive every three years.

● NEWS ANALYSIS—RAIL TECHNOLOGY

A thoroughbred for the future

BY LYNTON McLAIN

BRITISH RAIL Engineering is justifiably proud of its latest thoroughbred, the 150 mph Advanced Passenger Train (APT), unveiled this week for service into the 21st century.

Also understandable is the claim by BR that the APT is the "biggest single step in improved performance yet attempted by any railway." It is the envy of the Japanese for its ability to take bends on existing track at speeds 50 per cent higher than conventional trains. This gives passengers a bonus of constant high speed travel.

Yet APT may be the last major advance in rolling stock in Britain until the year 2010. By then the last of the 70 APT units BR hopes to build will have completed its design life of 25 years. The new era which started this week will be over.

British Rail is convinced that the APT will provide gradually more and more of the backbone of Inter-City rail services in Britain. More trains may be ordered is more routes become electrified, and it is possible that the gas turbine technology which powered the first experimental APT in 1972 may eventually be viable.

But that is the full extent of further radical change in engine and rolling stock technology envisaged by BR. The APT is quite deliberately the end of an era of modernisation on Britain's railways.

The reasons for the likely end of further innovative engine design go back to before the APT was a designer's dream. Steam gave way to diesel in the 1950s in the first radical reappraisal of engine economics since the industrial revolution.

BR then concentrated on reducing journey times between major cities. Stage one, now completed, was the electrification of the main lines linking London, Birmingham, Manchester, Liverpool and Glasgow. This gave travel at 100 miles per hour.

Stage two, leading to 125 miles per hour for parts of journeys is underway with the high-speed diesel trains on services from London to Bristol, south Wales, the West Country, Edinburgh and the north-east.

The APT is at the heart of stage three, with the promise of near-constant speeds of 125 miles per hour over the longest UK journeys.

At the moment 21 per cent of British Rail routes are electrified and 40 per cent of train mileage is electrically operated. Half the electrification was completed in the past 20 years, with much of the earlier schemes concentrated in the Southern Region, paradoxically the areas which are likely to change to advanced rolling stock last, if at all.

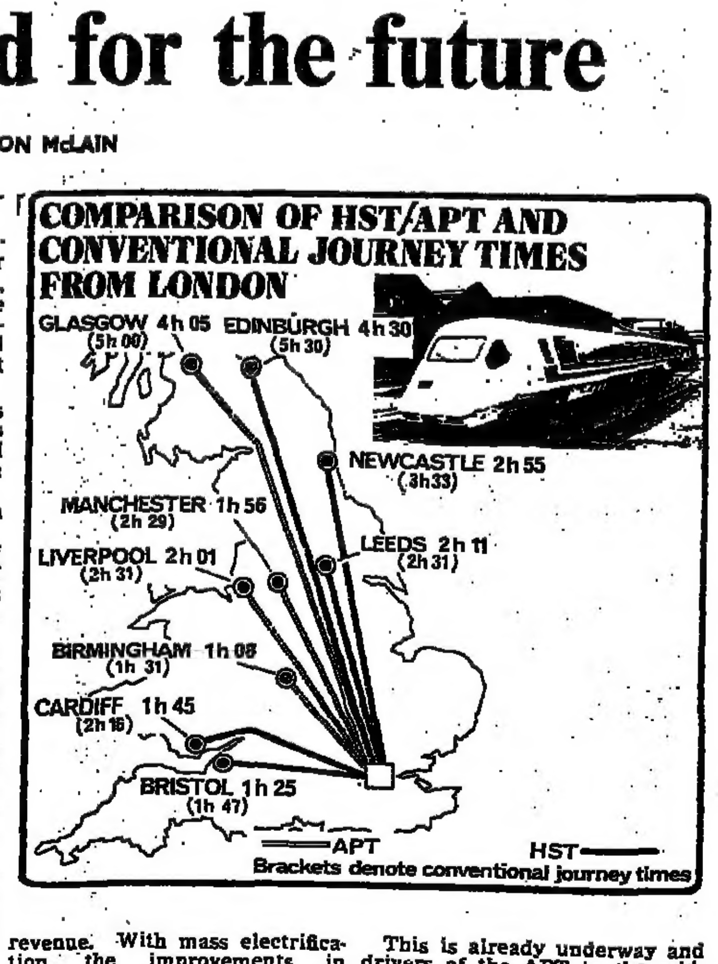
In fuel costs alone, a programme of mass electrification, covering almost the whole country, could save annually 700,000 tonnes of fuel. The plan most likely to be adapted by BR, if the Government gives its approval, would involve electrification of 2,400 miles of Inter-City routes. This would give BR up to £30m increase in revenue, from improved passenger business.

These figures arise from the belief that in BR that for every 1 per cent. improvement in journey time, there is a 1 to 2 per cent. rise in passenger revenue. With mass electrification, the improvements in journey time would, up to the end of the century, come from the APT spreading its coverage into the West Country, South Wales and the north east and Scotland.

As BR spending on radical new engine and rolling stock technology fades away into the new century, there is certain to be a simultaneous transfer of funds to computer-based signalling and driver aids.

This is already underway and drivers of the APT in the mid-1980s can expect visual warning inside their cabs of hazards and signals well within safe braking distances.

Perfection of these devices would open the way for Inter-City travel at a full 150 miles per hour. At the moment the APT could not stop within the braking distances governed by conventional signalling and thus its speed will be limited to 125 miles per hour until the late 1980s.



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PARLIAMENT AND POLITICS

Political credit squeeze

BY PHILIP RAWSTORNE

THE GOVERNMENT'S financial measures caused an instant political credit squeeze in the Commons yesterday.

Conservatives cried "Crisis"—and charged the Government with incompetence.

Mr. James Callaghan, asserting confidence and control, surcharged the Conservatives with the price of their "irresponsible" tax-cutting votes.

While in the midst of the mêlée stood the bewildered figure of Left-winger Mr. Norman Atkinson, urging the Government not to yield to Tory pressures for the increased interest rate which had already been conceded.

Conservative chagrin over the £500m. impost on employers was extreme.

Mrs. Margaret Thatcher angrily calculated that it would amount to £1.5bn in a full year, equivalent to 4p on income tax, whereas the Opposition had enforced a cut of only 1p.

But this "economic crisis" had been caused by the complacent increases in public expenditure and the Government's loss of control over money supply, she claimed.

Mr. Callaghan replied that the Government's measures were intended to ensure that inflation remained under control.

He regretted the employers' surcharge, but the £500m. "represented the degree of the Opposition's recklessness."

The Prime Minister indicated that the Government would not visit the sins of the Tories on industry for a full year. "There will be another Budget next April, I can promise you," he told the Tory leader.

As for this talk of crisis, Mr. Callaghan turned to join in with Labour's derisive laughter.

Interest rates were still well below the level when the Conservatives left office, he declared.

Sir Geoffrey Howe, Tory Shadow Chancellor, persisted. These "crisis measures" were final proof of the incompetence of the Chancellor, he snapped. They would increase unemployment and the cost of living.

Mr. Callaghan suggested mildly that what seemed to be irritating the Conservatives was the fact that there was no crisis, except perhaps in their own political tactics.

The Government was restoring the balance of its Budget strategy "after the Conservatives had undermined it."

The net effect on employment would be very small, the Prime Minister said. As some Labour concern rose over the likely increase in the mortgage rate, he added firmly that that issue must be left to the building societies.

With the Liberals remaining noticeably quiet, the Conservative attack switched from the Government's measures to the procedures under which they had been announced.

Mrs. Thatcher complained bitterly to Mr. Michael Foot that her demand for a Commons statement had been rejected.

Mr. Foot insisted that no precedent required such a statement — and he patiently repeated it in the face of a chorus of Conservative protests.

But this was a crisis, a Tory MP cried in final outrage. If the Tories had really believed that, said Mr. Foot, they might have chosen to debate the crisis next week, instead of the fishing industry and Officials Secrets.

This fourteenth Budget proves Healey has to go, say Tories

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT'S latest economic measures were a move necessitated by the "economic crisis" resulting from the Government's decision to increase public expenditure by £4bn this year, Mrs. Margaret Thatcher, Opposition Leader, said in the Commons.

Clashing with the Prime Minister, Mrs. Thatcher was bitterly critical of the fact that the increase of 2.5 per cent in the National Insurance surcharge, the rise in Minimum Lending Rate to 10 per cent and the return of special bank deposits had not been announced to the House.

Sir Geoffrey Howe, Conservative Shadow Chancellor, saw the measures as final proof of the incompetence of Mr. Denis Healey, Chancellor of the Exchequer, who was sitting beside Mr. Callaghan on the Front Bench.

During the exchanges, several Tory backbenchers declared that the time had now come for the Prime Minister to sack the Chancellor.

Important

Mrs. Thatcher told Mr. Callaghan that he might convince himself with his own complacency but he would not convince anyone else.

She described the package as the "14th Budget" of the present Government and the first to be announced outside the House of Commons.

She argued that in effect the Chancellor was now proposing an increase of taxation of £1.5bn in a full year, the equivalent of 4p on the standard rate of income tax.

Yet this important announcement had been made to the Press and not to the House of Commons.

Since the Budget there had been other increases in Minimum Lending Rate, she said, and a total loss of control of money supply.

All this had taken place before the Tories had forced through their amendment to the Finance Bill reducing standard rate of tax by 1p.

Mr. Callaghan told her that the House would have a chance to debate the matter when a new clause is introduced to the Finance Bill increasing the National Insurance surcharge.

He recalled that when the Government was defeated over the 1p tax reduction, the Chancellor had warned that he would have to introduce measures to make up the lost revenue.

Surcharge

But the Opposition had shown its irresponsibility by rejecting the Chancellor's advice and pressing ahed with the 1p reduction regardless.

The increase in the surcharge, now being proposed, would bring in £500m this year and £1.500m next, he told Mrs. Thatcher. "There will be another budget next April, I can promise you that."

On the borrowing requirement, he agreed that this year's estimate was £8.5bn compared with about £5bn last year.

"Nobody can say, because of the difficulties of estimating the borrowing requirement, to what extent it will be correct this year.

"But £8.5bn is a reasonable figure to take and to work on. No one can say at this stage whether it is likely to be over the top.

Inflation

"I regret very much the increase in the National Insurance surcharge to employers. It would not have been necessary if the Opposition had not voted to reduce taxation."

Mr. Michael Newhert (C Romford) told him that inflation was now running at an annual rate of 11.2 per cent.

Therefore, the Prime Minister should retract his statement of last Tuesday when he said that Government policies should ensure that inflation would never return to double figures.

Mr. Callaghan replied that far from retracting his statement, he wanted to emphasise it.

"It is necessary to maintain conditions under which a single figure inflation rate can be maintained," he told the House.

On the wages front the Government had wanted increases kept down to 10 per cent during the present phase, but it now looked as though it would work out above that.

Over the coming year, he hoped for a substantially lower figure. People would benefit from this rather than by having double figure wage increases.

"That is what I am going for," he commented.

Mr. David Stoddart (Lab. Swindon) maintained that if the mortgage rate went up by 1 per cent, people would know that they were worse off as a result of the tactics of the Opposition in reducing income tax by one penny.

Mr. Callaghan replied that mortgage interest rates must reflect the capacity of the building societies to attract savings.

If the rates were out of line, then the Government did not intend to "massage" them to get a misleading result.

But he believed that we could see a period of declining rates provided inflation could be kept down.

From the Opposition front bench, Sir Geoffrey Howe, Shadow Chancellor, wanted to know why if these "crisis measures" had been imposed because of the 1p tax, minimum lending rate had been increased on the day of the Budget.

He asked by how much unemployment and the cost of living would be increased by yesterday's measures.

The Prime Minister retorted that the Opposition seemed to be disappointed because they had not got a crisis on their hands.

He estimated that the net effect on employment would probably be very little.

He pointed out that the Opposition's 1p tax cut would have had the effect of increasing employment by a small amount. The increase in the National Insurance surcharge would offset this. So the two cancelled out.

Employment

During business questions which followed questions to the Prime Minister, Mr. Michael Foot, Leader of the House, was constantly bombarded with Conservative complaints about the absence of a full statement on the measures.

But he, too, maintained that MPs would have to wait for the amendment to the Finance Bill before the matter could be debated.

Mrs. Thatcher told him that she had specifically approached the Prime Minister's Office earlier in the day to ask for a statement in the Commons.

Mr. Norman Tebbit (Cons. Chingford) saw the measures as a complete turn-about in Government economic policy.

He could not conceive how they could be part of a strategy for industrial regeneration or job creation.

They certainly did nothing to inspire confidence in the Chancellor's handling of affairs, he maintained.

Mr. Ian Gow (Eastbourne) saw the proposals as a "massive indictment" of the policy announced in the Budget two months ago.

The exchanges ended with Mr. David Price (Cons. Eastleigh) demanding that this "broken backed and lame Government" should dissolve Parliament and call a General Election as soon as possible.

Big police pay rise soon, says Rees

THE POLICE will shortly be getting a "substantial increase in pay, Mr. Merlyn Rees, Home Secretary forecast.

He told the Commons that he expected to have the report of the Edmund-Davies committee of inquiry into police pay very soon.

Pay was not the only cause of policemen and women leaving prematurely, as many quit during the probation period.

"When there is a susbtantial increase in pay shortly, I don't believe that is going to solve the problem."

Mr. Patrick Mayhew (C. Royal Tunbridge Wells) complained that the Police Federation believed that the increasing proportion of policewomen was preventing the police from dealing effectively with violent crime.

Mr. Rees said only 7 per cent of the police force were women, a figure he did not regard as too high.

Mr. Stephen Ross (L. Isle of Wight) said police were getting frustrated by the complaints procedure. Action was needed to reduce the number of police leaving because of trivial complaints. Mr. Rees told him that when serious complaints such as those made in Lancashire had to be dealt with it was necessary to get a senior officer from outside.

Davies rejects 'neo-colonial' taunt

BY IVOR OWEN, PARLIAMENTARY STAFF

ATTEMPTS to equate Conservative proposals for a bigger role for the EEC in promoting political stability in Africa with a desire to return to some form of "neo-colonialism" were angrily denounced by Mr. John Davies, shadow Foreign Secretary, in the Commons last night.

He clashed with Mr. Evan Luard, Foreign Under-Secretary, who claimed that the views expressed by Mr. Davies on Wednesday at the start of the two-day debate on foreign affairs had been interpreted as a call for collective action by the EEC and the countries associated with the Lomé convention for the collective defence of Africa.

Mr. Davies insisted that he had made it specifically clear that there was no question of defending Africa, but of providing adequate safeguards to ensure that there was no disruption of individual countries which undermined their economies.

Tory MPs rallied to the shadow Foreign Secretary's support when Mr. Luard accused him of adopting a "patronising approach" to African countries and contended that they would regard it as an attempt to reimpose a form of "neo-colonialism."

The Minister maintained that there was a vast difference between an individual country calling for assistance from a particular country, as had happened in the case of Zaire and France, and collective arrangements between African countries and European countries as a whole.

As for the suggestion that the renegotiation of the Lomé convention should be used to introduce the arrangements proposed by Mr. Davies, this would be seen by many countries in Africa as an attempt to use economic leverage as a means of influencing the political situation in particular African countries.

He asserted that Britain now stood in higher regard in the world than for some time past because the Government was prepared to approach African countries on the basis of equality and not with the pose of patronising superiority inherent in many of the proposals made by Conservative MPs during the debate.

Mr. Luard also denied that anything said by the Prime Minister in urging NATO leaders at their Washington meeting not to overreact to Russian intervention in Africa amounted to advocacy of 1930's style appeasement.

The views expressed by President Carter in his speech clarifying U.S. policy towards the Soviet Union were "much closer" to those of Mr. Callaghan than the views of Conservative leaders.

He suggested that action should be taken in the United Nations to condemn the activities of the Soviet Union in Africa

Ulster inquiry

THE GOVERNMENT is to hold an inquiry into allegations of ill-treatment of terrorists by the Royal Ulster Constabulary, Mr. Roy Mason, Northern Ireland Secretary, announced.

The report of the inquiry, which will sit in private, will be published.

Tory peers win Scottish Bill battle

TORY PEERS defeated the Government by 104 votes to 53 (majority against the Government, 49) in a battle over "empire-building" powers which they said were included in the Scotland Bill.

Continuing the Bill's Lords report stage, Lord Campbell of Croy, Tory spokesman, warned that powers in the Bill enabling the Scottish Secretaries—members of the proposed Executive—to appoint civil servants could be the trigger for the setting up of a mini-Whitehall in Scotland.

"Under the Bill, each Scottish Secretary can build his own empire from scratch, apparently on his own judgment." The only curb would be financial. "It is a formula for empire-building."

For the Government, Lord Kirkhill had warned that the proposals would lead to confusion and conflict between Westminster and Edinburgh.

Hayward warns on Euro-poll

BY RUPERT CORNWELL

LABOUR could win as few as 15 of the 81 British seats at the first directly elected European Assembly, for which polling is due to take place next June, Mr. Ron Hayward, the party's general secretary, warned.

Mr. Hayward made his remarks to a meeting in London of the European Parliament's Socialist Group, many of whose Labour members by no means share his gloomy prognosis, even though they accept that the party may fare slightly worse than it might expect to do in an ordinary general election.

The main argument advanced by Mr. Hayward was the likely collapse of the Liberal vote, which could hand several of the supposedly safe Labour Euro-Constituencies in the North to the Tories.

An underlying reason, which he apparently did not openly refer to, is the possible abstention of usual Labour supporters from the European vote a direct consequence of the split within the party on whether it should contest direct elections at all.

Transport House is devoting its energies to preparing for the General Election that Mr. Callaghan will almost certainly call this autumn, and the European Assembly threatens to throw up some awkward questions, which will be examined by next Monday's meeting of the National Executive's key Organisation Sub-Committee.

These include the possibility of the "dual mandate" whereby MPs sit both at Westminster and in Strasbourg, whether unions should sponsor Labour European MPs as they do in the Commons, and the question of financial aid from Brussels to help Transport House fight the European elections.

Meanwhile, hopes are growing that the European Socialist parties will be able to settle on if not a fullblooded manifesto at least a joint declaration or statement in readiness for next June.

Evidence of what progress has been made should emerge at a meeting at the end of this month of the various Socialist leaders, at which the Labour team will be led by the Prime Minister.

Some MPs are privately beginning to doubt whether next June will in fact prove a feasible date after all for the first poll.

Britain has no problems, but there are some fears that Italy, or posibly Germany, might find itself embroiled in a domestic election then.

When equality spells tyranny

BY RUPERT CORNWELL

PURSUIT OF economic equality for every citizen would do nothing to remove poverty, while leading inexorably towards despotism and tyranny, Sir Keith Joseph warned last night.

Speaking at the London School of Economics, Sir Keith, who is in charge of Conservative policy research and the ideological mainspring of the radical Right, emphasised that this stand was not a defence of a free-for-all, but an attempt to define the limits of the responsibilities of the State.

"Economic equality, that is to say, equality of outcome, can only be achieved by despotism, and by the sacrifice of equality before the law and equality of opportunity."

In the process, disparities of power would spring up which would eclipse those which now arise from people's differing wealth.

"Inequality of power, such as must exist in an egalitarian society, continually erodes the rule of law, even in societies which are supposed to be democratic and constitutional. . . ."

Sir Keith dismissed the suggestion that a simple re-distribution of income would solve the problem.

If all net income over £100 per week were confiscated, then spread out among the whole population, each individual would only receive a once-for-all increase of £2 a week, he claimed.

SNP 'should act now'

By Ray Perman, Scottish Correspondent

IN AN attempt to fight back after its recent set-backs in by-elections, the Scottish National Party will be urged tomorrow to start campaigning now for the expected General Election in October.

Tomorrow's meeting of the policy-making national council will be the first opportunity the Party has had since its defeat at Hamilton to re-examine its strategy.

Next week's business

COMMONS

Monday: Debate on Expenditure Committee report on Preventive Medicine.

Tuesday: State Immunity Bill (Lords) and Community Service by Offenders (Scotland) Bill, remaining stages; Tuvalu Bill (Lords); Export Guarantees and Overseas Investment Bill (Lords), and the Oaths Bill (Lords) (Consolidation Measures); motion on EEC documents.

LABOUR NEWS

Miners offered veto on pit closures

BY NICK GARNETT AND JOHN LLOYD

THE GOVERNMENT has offered the National Union of Mineworkers a form of veto over future pit closures.

The offer has apparently been made without the knowledge of the National Coal Board, which has overall responsibility for shutting down collieries.

The offer was made by Mr. Anthony Wedgwood Benn, the Energy Secretary, to senior NUM officials—including Mr. Joe Gormley, the union's president at a meeting earlier this week. A decision on the offer was deferred yesterday by the NUM executive, many of whom are suspicious of the offer's implications.

The proposal would mean adjustments to existing procedures, which would in effect give the NUM the right to stop the NCB from closing a colliery.

The present procedure for closing a pit involves extensive consultation between the Board and the NUM at district, area and, if necessary, national level. The procedure has no automatic right of appeal to the Energy Secretary.

Most of the executive appear to believe that the offer would put the responsibility of making unwelcome decisions on closures solely on its shoulders, and create division between the executive and the union's areas.

Mr. Benn is waiting for a response from the union before a more formal proposal is made.

Pay deal

The Union's executive yesterday accepted a pay and conditions regrading offer for the country's pit rescue workers.

At the same time, they voted out a move, mainly backed by the union's Yorkshire area to seek improvements in the bonus arrangements for rescue workers.

The 36 rescue men in Yorkshire who have been on strike in support of higher bonus payments—they are paid at 40 per cent. of the face workers' rate—were due to meet late last night to discuss yesterday's decision.

The deal, worked out by a joint management-union working party does not alter the rescue men's bonus arrangements. It does, however, include new supplements and standby payments, new roster arrangements which will cut hours and guarantees on job security and housing.

It includes a cut in weekly duty and standby hours from 100 to 85 and £14 a week as a recognition of the special nature of the job and compensation for loss of earnings with the new roster system.

Mr. Joe Gormley, the NUM president, said the deal would be worth £30 or more a week to the rescue men on top of their bonus pay.

Improvements in the rescue men's bonus percentage would have led to range of similar claims from other surface workers and the repercussions would have been outside the control of the union, said Mr. Gormley.

£4m steel imports because of strike

BY ROY HODSON

UP TO £4m worth of steel is to be imported by the British Steel Corporation during the next week to make up lost production caused by the strike of blastfurnacemen at the Llanwern works, South Wales.

Imports are expected to continue at a level of up to 20,000 tonnes a week while the strike lasts. The blastfurnacemen yesterday decided to continue their strike, making mass lay-offs at the plant a virtual certainty.

All iron and steel production has been at a standstill for more than a week. The 500 members of the National Union of Blastfurnacemen involved will not meet again until next Thursday.

British Steel decided last night to order steel from Holland and West Germany as soon as the furnacemen decided to continue the dispute.

Earlier in the week, Sir Charles Villiers, chairman of British Steel, opened the new tinplate plant at Ebbw Vale. In order to keep that plant running, up to 14,000 tonnes of sheet steel from Llanwern is needed each week. Most of the imports will be sent to Ebbw Vale and further imports of sheet steel will be used to fulfil customer orders.

British Steel management has told the Llanwern unions that working stocks of steel for the finishing end of the works will be exhausted by the weekend and that, in the absence of a return to work, the laying-off of at least 4,900 other steelworkers at the plant will have to follow, starting with the Sunday night-Monday morning shift. The total workforce at Llanwern is 9,000.

The shutdown means a significant loss in overall UK steel production of some 11 per cent. Llanwern has recently been producing steel at the rate of 40.000 tonnes a week. With the input of steel scrap, weekly output from the works has been running at around 50.000 tonnes.

Overall UK steel production averaged 438,800 tonnes a week in April.

The Llanwern dispute began with a management shutdown of the 5,000-tonnes-a-day No. 3 furnace, because of a work-to-rule by its 100 blastfurnacemen. Another 400 union members walked out in sympathy, halting all iron and steel production.

The No. 3 furnacemen originally claimed to have been "locked out" but the dispute is now interpreted as a straight £8 a week pay claim for accepting new work schedules.

British Steel has not been prepared to offer more than £1 a week extra.

'Violence' foremen may go back today

By Philip Bassett, Labour Staff

FOREMEN IN the shop-floor violence dispute at Ford, Dagenham, could end their strike today. Representatives from all 23 of Ford's British plants decided yesterday to recommend a return to work as soon as possible.

The 1,000 foremen and supervisors, who are members of the Association of Scientific, Technical and Managerial Staffs, will meet today and are expected to accept the recommendation.

The recommendation for a return to work is conditional on Ford's setting up tripartite talks involving management, foremen and manual workers' representatives to examine relations between foremen and hourly-paid workers. If the recommendation is accepted today, then talks are due to begin immediately.

The strike at Dagenham resulted from an incident in the body plant last week when a foreman claimed he was struck by an hourly-paid employee. The employee alleged to have been involved was sacked but reinstated after an appeal.

Computer staff at Warley staged a 24-hour strike in support of the foremen, which ended yesterday. Only 500 of the normal 1,000 Cortina and Fiesta cars produced daily at Dagenham were turned out on Wednesday and yesterday's production is likely to have been similarly hit.

● A meeting yesterday of 400 craftsmen at Leyland's car assembly plant, Cowley, rejected by a narrow majority a proposed one-day strike. The strike had been recommended by the newly-formed Leyland Craft Organisation, which is seeking recognition from Leyland as the voice of the company's skilled manual workers.

Basnett to press for unity on pay

BY PAULINE CLARK, LABOUR STAFF

THE GENERAL and Municipal Workers' Union's difficulties in selling its idea for a public services committee to other unions was highlighted yesterday when the union called for an end to "slogans" and challenged critics of the plan to produce practical alternatives.

Mr. David Basnett, TUC chairman and general secretary of the GMWU, will be pressing hard over the coming weeks to bring public sector unions together to protect workers from a pay backslide once free collective bargaining is restored.

The plan was approved by the union conference in Scarborough on Wednesday, and will form part of an "economic contract" proposal to be put to the TUC at its conference in September this year.

Although some union quarters see the idea as divisive rather than unifying, it is likely that it will receive sympathetic consideration at the annual conference of the national and Local Government Officers' Association in Brighton next week.

Mr. Charles Donnet, national officer, told delegates on the last day of the GMWU conference that it was "imperative" for the unions to unite to overcome the special problems facing public sector workers. But the unions still have to be convinced and "the indications are that this will not be easy. "We all face the same problems, but we don't all agree on the same solutions.

"So our proposal may yet be shot dead by fellow trade unionists before it gets off the ground, in which case we have a right to ask its opponents to stop sloganising and propose practical alternatives themselves."

Mr. Donnet asked: "Will the Government guarantee to increase the cash limits for next year, specially to meet their forward commitments to doctors, police, university dons, and others, or will savings have to be made elsewhere? If they expect the school cleaner or the hospital ancilliary to accept less, in order that these groups receive more, they are not on."

ACAS swayed by threats, union claims

THREATS OF industrial strife by unions forced the Advisory, Conciliation and Arbitration Service (ACAS) to deny recognition to a professional engineers association, it was claimed in the High Court yesterday.

ACAS had allowed itself to be dictated to and had abdicated its responsibility, said Mr. Bernard Marder, QC, for the United Kingdom Association of Professional Engineers.

UKAPE is seeking a court invalidation of an ACAS recommendation that it be denied bargaining rights at APE-Allen, of Bedford.

The Association want to bargain on behalf of 156 engineers. At present all company bargaining is conducted by the Confederation of Shipbuilding and Engineering Unions, of which UKAPE—a non-TUC union—is not a part.

Confederation unions threatened trouble if UKAPE were recognised.

"It cannot be right that the use of such a threat can compel ACAS to decide in a way which has the effect of offering men the choice between a union which they don't wish to join, and no union at all," said Mr. Marder. ACAS had allowed itself to be dictated to.

An ACAS survey at APE-Allen shows that 79 per cent of the engineers want UKAPE to represent them. The hearing continues.

Hovercraft dispute ends

THE British Rail hovercraft pilots' dispute, which threatened to restrict cross-Channel services and prevent introduction of the new giant hovercraft Princess Anne, is over.

Pilots have agreed to accept the offer from Seaspeed, the hovercraft company, to restore an arbitration award made to them in 1975 and to refer the question of a productivity payment for operating the giant hovercraft to arbitration.

They have agreed also that training on the jumbo hovercraft can be undertaken as soon as a date for arbitration proceedings is set.

● Engineers working for British Rail hovercraft at Dover said yesterday they had removed sanctions

The shore-based engineers are demanding pay parity with British Rail ferry engineers.

The engineers said they had decided to remove sanctions so that pay negotiations with British Rail could proceed. But, if the talks made no progress they would consider re-imposing sanctions during the busy holiday months and cause disruption to the services from Dover.

Job crisis 'will fuel extremism'

UNLESS a solution was found to unemployment more people would turn to political extremes of both right and left, Mr. Hugh Scanlon said yesterday.

Mr. Scanlon, president of the Amalgamated Union of Engineering Workers and a member of the TUC general council, sounded his warning at the biennial conference of the Union of Construction, Allied Trades and Technicians at Dunoon, Argyll.

The union movement would struggle to reduce hours worked to combat jobless. There was a crisis of western capitalism almost equal to that of the 1930s.

The fact that the State had cushioned unemployment to the extent it did had prevented a revolt at the completely unacceptable unemployment level of one and a half million.

"I don't think the generation of today will accept the privations of the generations of the 30s.

"And, unfortunately, unless we do find a solution to it they will find their solutions in the extremes of politics—I mean the real ultra-left and the disastrous quasi almost fascist outlook of the ultra-right.

"That is the challenge that faces us—and the challenge of unemployment must be met.

"We have to struggle and give priority to the question of how we can reduce the total number of hours worked in any one year—whether a shorter working week, longer holidays, early retirement, more shift-working, work-sharing or a combination of these.

"I believe it has got to come and the trade union movement has to make it its priority in the coming challenge."

● Earlier, the 260 delegates—who represent 300,000 workers in the construction industry—voted to oppose any form of wage restraint beyond the present Phase Three.

هكذا في الأصل

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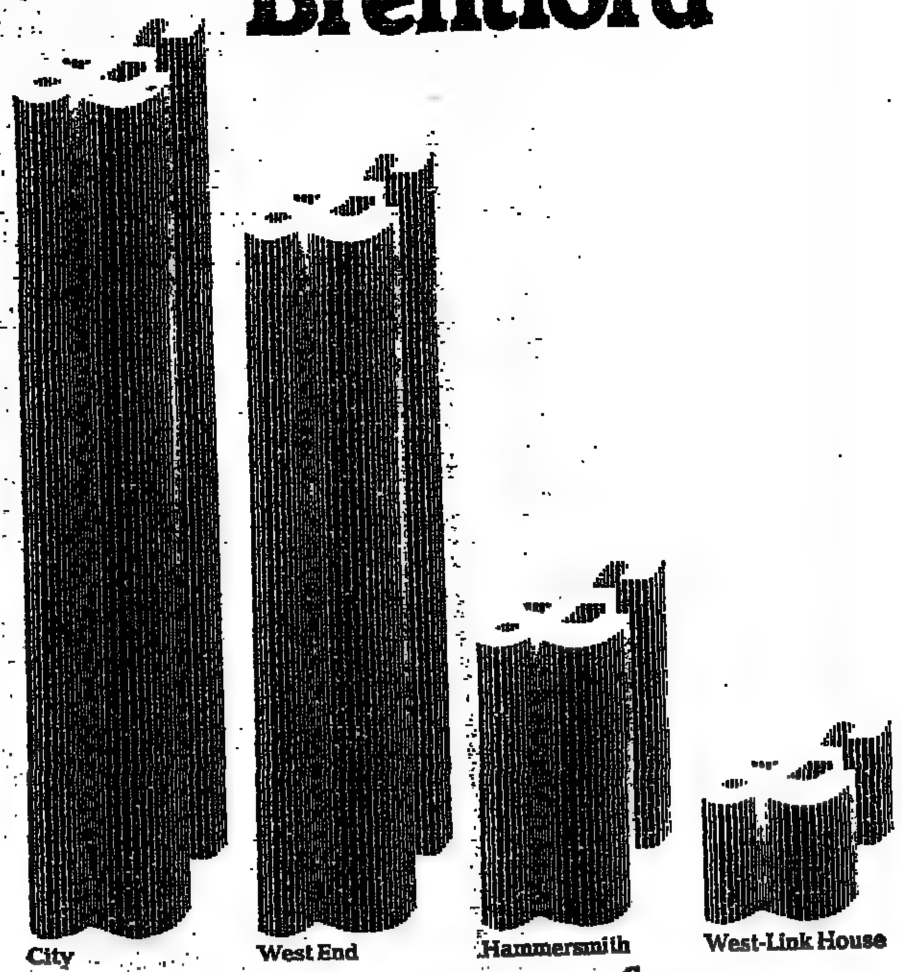

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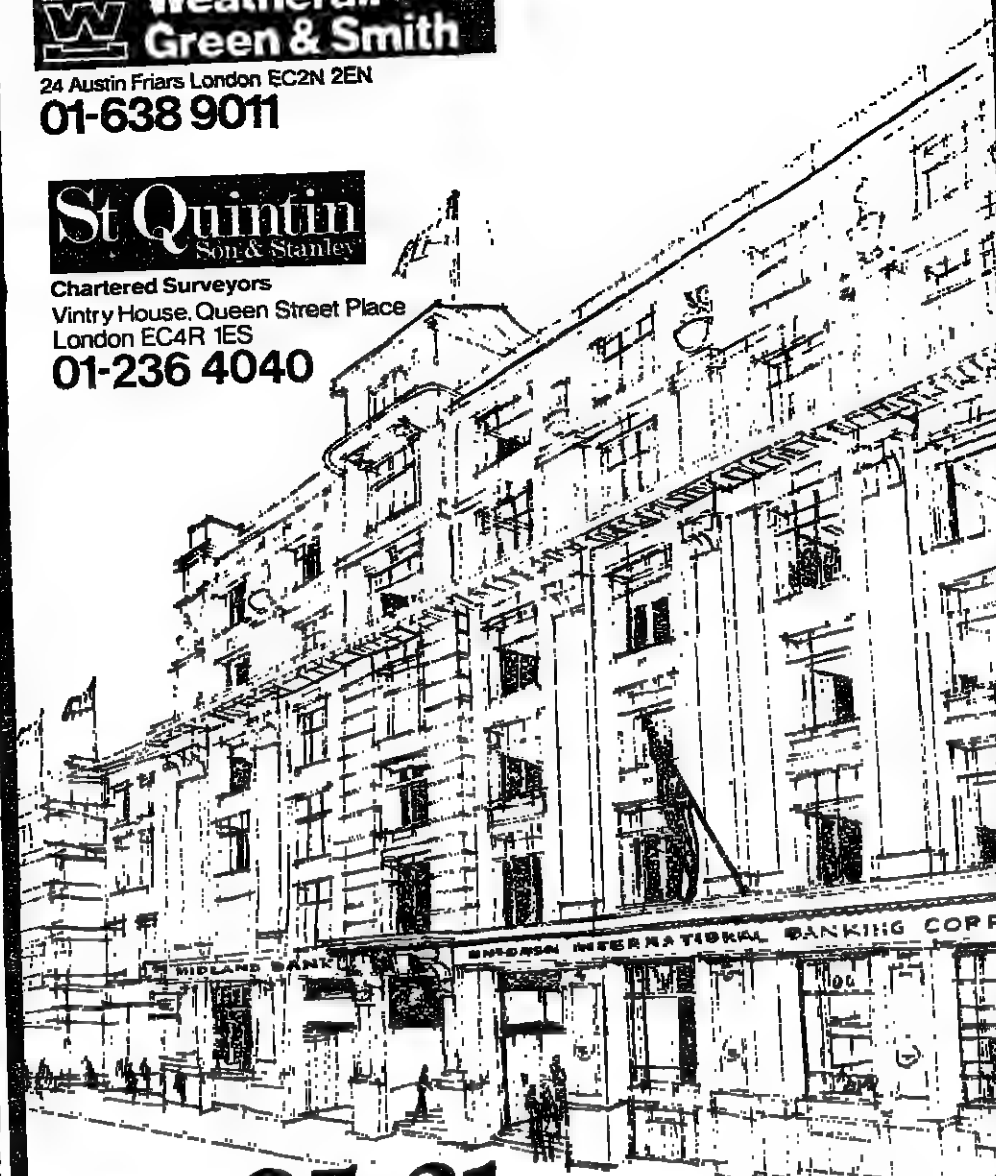

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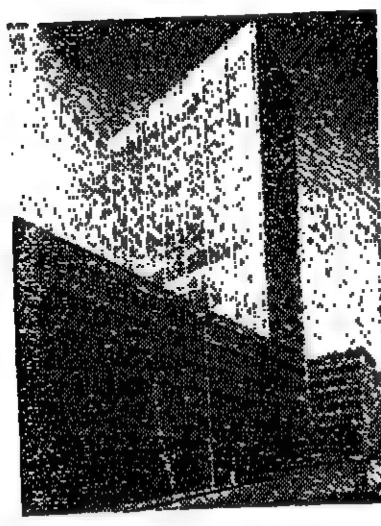

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PROPERTY DEALS

Hambro's letting incentive

NEWS OF the Hambro Property Funds' purchase of 20 properties from Town and City's Central and District portfolio for £18.8m overshadowed details of the £10m industrial property development programme also unveiled this week.

The funds have negotiated a letting incentive for developers on most of the ½m sq ft involved. If the buildings are occupied and revenue producing by an agreed completion date—350,000 sq ft of the schemes are pre-let—Hambro buys out the developer at an average yield of 8 per cent. If the buildings remain empty, the price falls to a point where eventually the funds buy-in at yields between 9½ and 10 per cent. The developer's risks are limited by the funds' commitment to buy him out, if necessary, at cost. Schemes include Hunting Gate's 70,000 sq ft unit at Watford, pre-let to Bosch, and Hestair's 100,000 sq ft project at Guildford.

●

THE Chepstow Racecourse Company has resurrected its plans for a £6m-plus leisure development on part of its 370-acre Monmouthshire site. The idea was first mooted in 1973, and the potential of such a development close to the M4 Motorway drew a number of bid approaches to the racecourse company, which is 18 per cent owned by its directors with another 37.7 per cent in friendly hands. The bid approaches were rebuffed, and the property market crashed, leaving the development plans to gather dust.

At the end of 1977 the company submitted a fresh application for outline planning permission and in April this year it fell into the very active path of the Land Authority for Wales. The authority used its Community Land Acts powers and announced its intention to acquire the land.

That might have been the end of a bright idea. But the company has managed to persuade the Land Authority to revise its Notice of Intention to Acquire. This will lapse on condition that the development is commenced within eighteen months and completed within three and a half years. Chepstow is now commissioning detailed planning designs on the scheme, which will include a five star hotel a full scale golf course and club house as well as additional sports facilities linked to the racecourse itself. Negotiations for finance are also in hand.

Another race track, this time the former Lewes racecourse, in East Sussex, has come onto the market. Strutt and Parker is offering the 550-acre Southdown Estate, which includes a 213-acre let farm as well as the racecourse, which closed in the mid-1960s, for around £350,000.

The land, which lies atop the Sussex downs and which includes the site of the Battle of Lewes in 1264, was bought some years ago by the Brighton developer Arthur Bourne. His plans to convert the former grandstand buildings into a house were never completed, but the planning permission for the conversion still stands.

●

EXCESS INSURANCE is forward funding a £190,000, 26,000 sq foot office development in Taunton. The Michael Paul Holdings' scheme has been pre-let to the Inland Revenue for £71,500 a year, giving Excess an initial net yield of 7.5 per cent. Haarer and Goss (Exeter) acted for the developers and Mayfair agents Clive Lewis and Partners advised the insurer.

●

THE DAILY TELEGRAPH has paid £250,000, well over the market price, for a small office and shop property adjacent to its Mersey House rebuilding scheme. The paper has acquired 131 Fleet Street, with 1,737 sq ft of vacant offices and a restaurant/snack bar, from Property Holdings Investment Trust. The building will give the paper greater elbow room for its Mersey House scheme, which is being carried out by Norwest Holst. West End agents Folkard and Hayward acted for PHIT.

●

DEXION-COMINO International has assigned the remaining 19 years of its lease on the 36,246 sq ft Dexion House, Empire Way, Wembley, to the United States oil engineering group McDermott Hudson. Dexion-Comino, which is moving the bulk of its London staff to new headquarters buildings in Hemel Hempstead, has been offering the lease for some months.

The lease was granted in 1962 by the building's developer, Town and Commercial Properties, and it costs just £32,500 a year until 1983, when the current freeholder, Abbey Life Property Fund, gets its first and only rent review. McDermott, advised by Richard Saunders and Partners, is likely to have paid around £1m for the lease to judge by its short sub-letting of just under 10,000 sq ft in the building back to Dexion-Comino at £4.50 a sq ft. Knight Frank and Rutley acted for Dexion throughout the negotiations.

●

TOWNSEND Thoresen Properties has been active this week. Healey and Baker has sold the group the freehold of the 23,020 square feet Burwood House, 14/24, Caxton Street, Victoria, SW1, for nearly £2m and Townsend has raised more than £1m from the sale to the Imperial Group Pension Funds of its 11,350 square feet freehold block at 157/165, Church Street, Woking, Surrey.

In Victoria, Townsend gets 18,000 square feet of vacant space which it plans to refurbish for letting in 18 months time.

In Surrey, the building has been let to Hogg Robinson Travel for £62,500 a year. Richard Ellis acted for the fund and Hampton and Sons and Mann and Company let the block.

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A FINANCIAL TIMES SURVEY

PROPERTY

JULY 3, 1978

The Financial Times is planning to publish a Survey on Property. The main headings of the provisional editorial synopsis are set out below:

INTRODUCTION The property market entered 1978 on the crest of rising property values and a rise in property share prices. Early enthusiasm has ebbed as doubts about the long-term strength of the country's economic recovery and the effects of higher interest rates are absorbed. But the industry's recovery from the 1973-74 crash is now too well founded to be upset by a temporary loss of nerve.

DIARY OF A HECTIC YEAR
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هكذا من الأصل

Management

EDITED BY CHRISTOPHER LORENZ

IN A little over two years, the Scottish Development Agency has made a permanent place for itself and for its own style of public intervention into private industry.

That may sound a strange statement to make at a time when the agency is facing strong criticism *over the failure of three of its investments in rapid succession*, and when it is under renewed attack from the Conservative Party. But consider the change.

Eighteen months ago the critics were calling, if not for the execution of the SDA by the next Tory Government, at least for the drawing of its teeth by a ban on investment in *unprofitable industry*. Now there are no longer calls for it to be done away with altogether, and the restraints being demanded on its investment powers have been considerably softened.

It is tempting to describe the SDA *as a scaled-down version* of the National Enterprise Board, but in fact they are very different animals. Besides its intervention function, the agency has wide responsibilities in less controversial fields which have enabled it to win respect from all shades of opinion. It is undertaking, for example, the removal of pit spoil heaps which have been eyesores for years, and it is heavily committed in the project to raise and rebuild the slums of Glasgow's east end.

Scrutiny

There are other differences too. As a grant-aided body, the SDA is subject to the scrutiny of the Comptroller and Auditor General, who has already passed comment on the failure of one agency investment.

Although he would not like members of the Commons Public Accounts Committee going in detail through his books, *it is likely that* when Mr. Lewis Robertson, the SDA chief executive, appears before them later this month he will be a lot less reticent in giving information than was *Sir Leslie Murphy*, the NEB head.

Since it started actively looking at potential investments in mid-1976, the SDA has put a *total of £17m into about 30* companies. It is a relatively modest start compared with the sums that the NEB deals in, or even with the £39m which the *agency is contributing to the* Glasgow programme. Individual investments have been in a variety of different packages, sometimes equity, sometimes convertible loan, sometimes combinations of the two. Often the amount put into a single company is £100,000 or less.

Lewis Robertson—chief executive

Hugh Jack—industrial director

Dr. George Weir—a member of the Board.

Angus Grossart—a member of the Board

Alan Devereux—a member of the Board

The fight to breathe new life into Scottish industry without proving a soft touch

Ray Perman reports on the Scottish Development Agency

The agency's biggest single industrial investment to date is only £3m., *for a stake in Stonefield Vehicles*, a company manufacturing *four-wheel-drive* trucks, the first of which rolled off the production line two weeks ago.

In only one case is the SDA *the outright owner of a company* in which it has invested. Lothian Electric Machines, a company making industrial electric motors, formerly called Ranco Motors, was bought as a profitable concern from an *American parent* which had moved in other directions and was no longer interested in building up the subsidiary.

Elsewhere the agency has been content to take a smaller stake. In only a minority of cases does it *have a controlling interest*. In Stonefield, for example, one of the more promising ventures, the initial SDA shareholding was 49 per *cent, and it was only raised to* the present 76 per cent after the death of the man who started the company, and held a large block of the shares.

One of the criticisms levelled at the agency is that despite its fine ideals of trying to "regenerate Scottish industry" and to improve the efficiency of management, it is merely a backdoor to nationalisation. But *on the evidence of the agency's* record so far it does not seem to have much concern for either owning or controlling companies.

More than that, it has already voluntarily sold back a shareholding in one of its investments. This was Clydedock Engineering, a company which took over the ship repair business of the Glasgow firm Alexander Stephen, then in receivership. Largely as a result of energetic and experienced management and a *revolutionary manning and flexibility* agreement with the trade *unions*, the company has been highly successful and quickly became self-supporting, thus removing the agency's reason for continuing to be associated with it. Last summer Clydedock applied to the SDA to buy back *the 25.9 per cent. share the* agency held, a deal was agreed and the agency made a (so far undisclosed) profit on its £100,000 outlay.

The present Conservative proposal is that the act establishing the SDA should be amended to require it to sell each equity investment within five years. It is too soon to *tell what sort of restraint this* would be, since the agency has not yet held any investment for more than two years and it is difficult to say how many of them would be attractive saleable propositions in another *three years' time. But the* agency's senior staff seem unperturbed, pointing out that if a company is strong enough to be interesting to a private buyer, then the SDA's job is probably already finished and *if it is not, the market will* make its own judgment. If no buyer comes forward, there is no way the Government of the day can force the agency to sell.

However, a more damning accusation against the agency *is that it is a soft touch*, that, in the words of Mr. David *Mitchell, vice-president of the* Scottish Conservative and Unionist Association, its record is unimpressive and many of its investments "seem to owe more to employment protection than to dynamic investment for the future." *It is a view held by more than just members of the Tory Party: virtually weekly* the agency receives an inquiry *from an employer whose company is on the verge of collapse who wants, and often feels he* has some right to get, an immediate handout of cash to see him through the present crisis. And there are the MPs of all parties who expect the agency to step in with money to prevent *imminent closure in their own* constituency.

This criticism has been more *intense since the agency's three* failures came to light. The first *was Insco Electronics, in which* the agency lost £105,000. The company, under its original name of Greater Oriental Development, approached the agency in May 1976 with a proposition that the agency should *take a majority equity holding* for £60,000. A consultant's report had already highlighted severe cash flow problems and the agency's own assessment was that there could be no guarantee that a substantial injection of cash would save the company. However, with the consent of the Secretary of State for Scotland, the agency went *ahead, believing that it would* be satisfying its objective of *creating employment in a new* high technology industry.

A new consultant was appointed with a brief to improve the management and organisation of the company, but within six months losses had doubled *from £5,000 to £10,000 a month*. A further loan of £45,000 failed *to turn the company round and*, on legal advice, the agency put it into liquidation.

The second loss was also in a high-technology company. Triadynamics (Machines and Patents) had a good record of technical innovation, but seemed to be poorly managed. *In particular, the company also* carried out sub-contract work *which it was felt could have* provided the bread-and-butter to support the more advanced operations. Agency financial and industrial staff spent time *trying to change the company's* organisation, but "the management did not respond." Earlier this year the Bank of Scotland, which had also lent a large sum, called in the receiver and it is not yet known how much of the agency's £135,000 will be recovered.

The final failure is the largest and the most politically sensitive. Scofisco was born out of the ashes of a collapsed shellfish processing firm which had become entangled in a web of financial commitments it was *unable to meet*. The agency believed that, freed from this *financial mess, a new enterprise* taking over the business could have a chance of survival, saving jobs in the processing factory in Glasgow and the outstations on two Hebridean islands. Altogether £625,000 was *invested, but to no avail*. Landings of shrimps and other fish *were only a third of the level* that experts predicted they might be, and the outlook for the future looked no brighter. Faced with mounting losses and the prospect that they would get worse, the agency called in the receiver.

> "There is no question that we will have more failures because we are filling a gap — there is no-one else willing to put up venture capital in the same way."

The Scofisco loss caused great bitterness among the women who worked in the Glasgow factory and who felt that by saving them once, the SDA had merely raised their spirits in order to dash them again.

Mr. Hugh Jack, the agency's industrial director, is unrepentant about the decisions to invest in all three of the failed companies. "There is no question that we will have *more failures because we are* filling a gap—there is no-one *else willing to put up venture* capital in the same way. We are in the risk business."

The Conservative proposal to reduce this risk is that the *agency should have to obtain a* commercial endorsement of its judgment on each prospective investment, by finding a private institution willing to put up an *amount equal to at least half* the agency's commitment. This *is not as much of an innovation* as it sounds, since it is already the case in a number of existing agency investments.

In nearly every instance a bank, usually one of the three Scottish clearers, has advanced or is advancing money to the applicant firm, and in two instances other bodies (ICFC and Lithgow Holdings) have taken equity stakes as well. Private capital has been lost alongside public funds in at least two of the three SDA failures.

The commercial judgment of the SDA is not something made only by its full-time staff. Ultimate responsibility lies with the part-time Board, which includes, as well as trade union and local authority representatives, Mr. Angus Grossart, managing director of Noble Grossart, one of the most *successful merchant banks* in Scotland, Mr. Alan Devereux, Chairman of Scotcros, a successful industrial group and presently chairman of the CBI in Scotland, and Dr. George Weir, director of corporate planning *for the Weir Group, one of* Scotland's largest and most *profitable industrial companies*.

Mr. Devereux confirmed that the Board is given full information before any investment decision is taken. "I would not be involved in any operation in which I did not have full access to every bit of information."

Investigations

This information comes from the company applying for help, from investigations by the *agency's staff and by outside* technical and marketing specialists. It is an absolute condition of agency help that each company receiving assistance must prepare a financial plan and must supply the *financial information* each month to enable the agency to monitor how closely the plan is being followed, and to administer the necessary *encouragement or goading*. Often this means persuading a company for the first time of the value of having regular financial information on its progress. Many small firms are still without regular accurate *information on sales, cash flows* and costs.

It is too soon to make a final judgment on the SDA's commercial success or failure. The "*financial duty*" *of the agency*, the return on capital employed, has yet to be decided. But it would be surprising if it was widely different from the 15-20 per cent figure by 1981 laid down as a target for the NEB. On the basis of the agency's 1977 annual report its rate of return was 8 per cent before tax, or 7.6 after tax. We will get a better idea of how the *agency's investments have fared* since—and how they have been affected by the failures last year—in the 1978 report, due out in a few months.

£500 boost for young engineers

INDUSTRY AND government this week put the finishing touches to a scheme which is aimed, in the long term, at boosting the status of the engineer in the eyes of British society to the levels of reverence accorded to them in Germany and Sweden.

The greater the status of the engineer the more attractive profession it will be for the most talented members of society. *And the more talented* the engineers, the better it is for Britain's wealth-creating manufacturing industry, so the argument goes.

But the difficulty lies in attracting the better quality *people into industry to make it* more attractive in the first place. To break out of this somewhat circular problem 100 National Engineering Scholarships worth £500 a year tax free are being offered to bright *young engineering students who* intend to go into manufacturing industry.

Forty individual companies have put up £90,000 which has been matched pound for pound by the Government.

Oscar Hahn, of GKN and chairman of the Action Committee which is administering the scheme, this week lamented the fact that less than half of Britain's engineering graduates ever went into industry.

For the first year the scholar*ships will be open only* to students taking the new "enriched" engineering courses run at selected universities such as Imperial College and Brunel. The enriched courses last four years and include some manage*ment topics* as well as engineering.

But as from next year the scholarships will be open to students attending any engineering course at British universities and the number of awards to be increased.

Applicants will be interviewed at five centres around the country and the selection committees will not only be looking for high marks in A levels. As one member of the Action Committee pointed out academic brilliance does not necessarily make for a good manager. Other areas to be examined are school records—for any sign of leadership, and practical interests such as hobbies which involve making things.

Jason Crisp

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

New tube may help to cut costs

MAIN AIM of TI Tube Products in producing its new Tru-Coat "Z" zinc-coated steel tube is to provide tube users with a product which will enable them to cut one or *two further handling* stages during manufacture of many types of equipment. These can include both consumer durables and engineering products.

A new £1¼m galvanising plant has been set up in TI Steel Tubes' Oldbury complex, with ability to make over 10m metres of tube a year to consistent high quality levels. The process being used was developed by Daiwa Steel Tube Industries *of Osaka*, Japan.

Tru-Coat "Z" has Tru-Wel welded steel tube as its base material, *the zinc coating being* applied to the outside of the longitudinally welded base tube in two thicknesses—one called decorative and the other commercial. Both types of tube come with a special water-repellent lacquer on the outer surface and for added protection from corrosion *all the new tubes are offered* with an internal coat of zinc or aluminium-based paint as standard.

Typical galvanising figures are 120 grams of zinc per sq metre, which means in an average *environment* a product made of the new tubing *should last some four* years without a blemish.

The synthetic polymer lacquer prevents what is known as "white rust", *a form of storage corrosion*. It is also a tough *protective layer*.

Sizes of tube available are *⅝ in to 2½ ins outside diameter* (15.88 to 63.5 mm) in wall *thicknesses from 10 to 22 gauge* (3.2 mm to 0.7 mm). The tube will be offered in sets of cut length in various sizes to match manufac*turers needs* for the efficient production of tubular products.

Extensive trials have demonstrated that the zinc coating process *used* gives a strong bond between coated and welded steel base *that is not destroyed by* bending, flaring, etc.

The company believes manufacturers will welcome a product to which *they do not have* to apply any further coating or treatment before the *finished* goods go out to a market. A sharp reduction in manufacturing costs is foreseen.

IN BRIEF

● Opcoa is offering through Norbain of *Reading a one inch LED* display module which on a cost basis is said to compare *favourably* with large gas plasma units. More on 0734 864411.

● Intel has two new high density read-only memories, the 2333 and 2364. Both have 300 nanosecond maximum access time and run from a single five volt supply. They store 32k and 64k *bits respectively*.

● COMMUNICATIONS

Dymar moves into radio-phone network

MAINLY known to date for the significant mark it has made in the radiotelephone hardware *market, Dymar Electronics of* Watford will on Monday launch itself into radio message handling on a country-wide basis with Network Communications Services.

The new company consists of a consortium of seven firms, already in the market, in which Dymar has taken a minority interest. They include Selective Audio Messages in London, Airtalk in Manchester and Answer Link in Brighton. The other centres are in Birmingham, Grimsby, Middlesbrough, Nottingham, Peterborough and York. With plans well ahead for a transmitter in Bristol the company believes it will cover 75 per cent. of the country on a population basis. On a count of the member companies' existing customers NCS already has about 1,000 mobiles on the road and is *expected to add another* 1,000 in the coming year.

Network Communications may also turn out to be one of the first companies to be able to offer "interconnect"—a direct connection of a subscriber to any phone on the public switched network.

At the moment the private message handlers have to relay a message from a public phone to a mobile using an operator at *the control centre. Only on the* Post Office's own Radiophone service is it possible for the two parties to speak directly.

However, *the Post Office is at* the moment in consultation with the private message companies on the question of the technical and operational conditions that would have to be met to allow safe connection of the public network to private operators' base equipment.

Dymar joint managing director Julian Rzymowski believes that the problems will be ironed out in a matter of weeks and says that he has what amounts to a letter of intent from the Post Office. The equipment for the new network certainly has a built-in ability to connect directly with the public network.

It also has a number of other attractive facilities including a pocket Alerter which the driver *takes with him when he leaves* the vehicle and which will "bleep" *if his car receiver is* called. In addition, he can set *an eight position status switch* on the car unit so that when *called his equipment will respond* and illuminate a status *display at base*.

Status numbers one to eight can mean anything from "I will ring back in ten minutes" to "I have gone home."

When contact is made with base, the user then has a skilled 24 hour message handling/secretarial service available: the girls will undertake tasks ranging from booking airline tickets to summoning assistance to breakdowns.

All the centres, which are linked by telex to give hard copy of messages between regions, will be offering the same service nationwide at a cost of £40 a month, plus an additional £12 per month for the Alerter. No price has yet been fixed for the interconnect service when it becomes available, but a likely figure is about £15 per month.

More from Colonial Way, Radlett Road, Watford, Hert*fordshire* WD2 4LA. Watford 37321.

GEOFFREY CHARLISH

● COMPUTERS

Scicon work for Lloyds

TWO NEW turnkey computer systems are to be installed by Scicon Consultancy at Lloyds Bank. They will be used by the branches' stock office of the bank, and the securities section of the overseas department.

Branches' stock office holds foreign securities on behalf of *customers of Lloyds Bank*. It collects dividends on these *securities, and remits the proceeds* (normally in sterling) to *the customers' accounts. It also* handles rights issues, stock dividends and bonuses. *The certificates* are held in London and the Channel Islands, *and the office is* responsible for their receipt and delivery.

Securities section provides a similar service, except that the certificates are deposited with agents abroad instead of at Lloyds Bank.

The systems will maintain records of holdings and certificates, and process receipts, deliveries and dividends. They will provide on-line inquiry facilities and they will be able to produce a variety of reports at short notice.

Each system is based on a PDP 11/34 computer, from Digital Equipment Corporation. Each has two 13.8 Megabyte disc storage units, two VDU terminals for data entry and inquiries, two fast printers for report and document production, and a slow printer to provide hard copy of the results of inquiries, when required. The first of the two machines will be installed this month with the other following later this year.

More from 01-580 5599.

Aids engine research

PERKINS ENGINES (International Group) will use the new TORVAP torsional vibration program developed by the Computer *Aided Design Centre*, Cambridge, in its engine development *work*.

This advanced program is the outcome of specific requirements defined by a committee of engineering-based companies, including Perkins, with interests in internal combustion engines. The committee has been established to identify and recommend specific computer programs to aid engine research and development.

Written in Fortran IV, the program analyses the torsional stresses in all the drive-line components of internal combustion engines. It is suitable for advanced research into multi-junction, multi-branched designs, with damping and excitation torques applied at many points in the individual branches.

Perkins will operate the new CADC *program at all stages of* prototype engine design since *it can be used to stimulate all* likely variations in torsional vibration *that a diesel engine* will encounter in actual operation.

Torvap uses the 2 x 2 matrix system, developed by the British Internal Combustion Engine Research Institute, for branched systems. This method represents a major advance on other vibra*tion analysis methods*, may be implemented very quickly, and *is relatively low cost on repeated* exercises.

Torvap can analyse forces applied to a crankshaft and to a gearbox through to the axle (or propeller in the case of marine applications). When fully implemented it will enable *a company to provide* OEM customers with detailed information on installed performance.

More on 0223 63125.

Faster disc memory

HIGH-PEFORMANCE moving-head disc drive, Hewlett-Packard 7925, provides 120 Megabytes of data storage. Designed for compatibility with HP-3000 computer systems, it is readily adapted to the equipment of other manufacturers.

Newest member of the HP *family of controller-compatible* disc memories, it is among the fastest disc *memories of its type*. Average random seek time, the commonest measure of disc memory speed, is 25 milliseconds. Data transfer rate is 7,500,000 bits or 937,500 bytes, per second.

Hewlett-Packard, King Street Lane, Winnersh, Wokingham, Berks. RG11 5AR. Wokingham 784774.

● CONSTRUCTION

Fixes firmly in the ground

WHERE SECURE survey stations have had to be established during a land survey, the usual practice for many years has been to excavate a deep hole, pour in concrete, then drive a steel rod through the still wet concrete and leave to set.

Designed to do the job without disturbance to soil and *effecting complete installation within* 20 minutes is an earth anchor from Earth Anchors of Thornton Heath, Surrey.

Called the Rootfast Survey Anchor it comprises a steel or *aluminium tube 2 ins outside* diameter into which a pointed *cast driving head is fitted. During* driving, four steel bars are housed in the head and when the full depth has been reached a *ramrod* is used to operate the internal mechanism which forces the bars outward on a semi-circular path to form the flukes of the anchor.

Standard anchors are one metre long, ready for installation by manual or power driving and supplied with necessary tools. Extension connectors and spare tubes for deeper setting in soft ground, and cast bronze plates, are also available.

Head assemblies can be supplied separately for assembly into locally obtained tube and a dimpling tool is provided for this purpose. This is also used for supporting the anchor while the flukes are being extended.

Further on 01-684 9601.

● PROCESSES

Easier fit when it is cold

BOC ENGINEERS have used liquid nitrogen recently to complete an assembly too large to fit by the normal method employed at F. Wigglesworth and Co., Shipley, Yorks.

Wigglesworths had been contracted by Davy Loewy to construct a limited endfloat. Elliote gear coupling assembly capable of transmitting 32,500 hp at *100 rpm. It was destined for the* Brymbo heavy bar and billet steel mill, South Wales.

Two one-ton geared hubs had to be fitted to opposite ends of a three-ton shaft, seven ft long and 19 ins diameter. Normally, Wigglesworths use heat expansion to fit the hubs, but did not have sufficiently large heating equipment for this job.

BOC experts were called in to *shrink-fit* the components using liquid nitrogen. With an evaporation temperature of minus 190 degrees C, nitrogen is an extremely fast cooling agent. It was used to fit the components together by immersing and shrinking the inner one, instead of heating and expanding the outer component.

Among the advantages offered by *shrink-fitting over heating* are elimination of risk of distortion and it is a quicker and safer method of fitting components.

BOC, Hammersmith House, London W6 9DX. 01 748 2020.

● TEXTILES

Overcomes a knotty problem

MOST YARNS are produced on small packages and then rewound. At this stage they are "cleared" and faults such as weak parts or slubs are removed by sensing the yarn and cutting it when a fault is detected. Normally the yarn is simply cut and then the two ends knotted together after the fault has been *removed*.

For the carpet trade a knot *represents a serious fault, as it* will not pass easily through the *eye of a needle in, say, a tufting* machine. Now being introduced is a unit which will *splice* the two ends of a spun carpet yarn without any *knotting*. This is an air-entanglement splice that will unite the two ends without a knot and with only a very small *increase* in total yarn diameter.

The new system is to be *applied as an optional extra on* the Autoconer of W. Schlafhorst *and Co., Germany (British agent* B L Engineering, 5 Acres Lane, Stalybridge, Cheshire SK15 2LY. Tel. 061 303 8381).

In future it will be possible to purchase the automatic cone winder with either conventional knotting or with a splicer which *will be somewhat more expensive* than the knotter but which *will have very obvious appeal to* carpet manufacturers who wish *to avoid knots in their supply* packages of pile yarn.

LOMBARD

Regions across the Channel

BY COLIN JONES

IT IS now 12 years since the present pattern of assisted areas was established and six years since the present range of regional investment incentives was introduced. Yet, apart from some pioneering studies by Messrs. Moore and Rhodes of the Department of Applied Economics at Cambridge, there has been precious little attempt during this period, either within Whitehall or elsewhere, to assess the effectiveness of policy.

The main focus of criticism, now that the regional employment premium has been abolished, is the regional development grant. These are being paid out at the rate of more than £400m a year, and account for two-thirds of the Government's outlay in direct regional aids. The grant system has been attacked both by the Public Accounts Committee—which had a lot of fun not so long ago criticising the fact that so much was being paid to oil terminals in Scotland which would employ relatively few people and which would have gone there anyway—and more recently, and more discreetly, by the European Commission in Brussels.

Selectivity

The point that principally worries both the PAC and the Commission is the automaticity of grant payments. There is no systematic assessment of the benefits that aided investments might be expected to bring. There is no minimum threshold in terms of the number of new jobs which projects must create. And there is no "cost per job" limit similar to that applied to selective regional assistance granted under s.7 of the 1972 Industry Act. The official line is that the grant scheme must be simple, assured and predictable if it is to succeed. Selectivity would raise awkward problems of equity and it might reduce the relative attractiveness of regional aids to footloose foreign investors. It is true that a selective approach would be more labour-intensive and thus costlier, but these arguments seem to smack more of administrative convenience than concern for public economy.

It is interesting in this context to see how France and West Germany, our two most comparable EEC neighbours, approach these issues. Their regional problems may be somewhat different in origin and nature. We are largely trying to promote the renewal of older, declining industrial areas, while they are trying to promote industrial employment in predominantly rural or border areas. But they, too, now have problems of industrial renewal in the Saar, Alsace, Lorraine and North East France. And their assisted areas embrace almost as large a proportion of the national population as here.

Yet neither the extensiveness of the assisted areas nor, in Germany, the federal structure of government inhibits either country from pursuing an extremely selective and either wholly (in France) or largely (Germany) discretionary approach to regional incentives. Even the various tax concessions, such as accelerated depreciation and the temporary exemption from local rates, which are available in certain parts of France are not granted automatically. Tax reliefs, like the regional development grant and the various other loans or grants on offer in different areas, will be granted only if a project fits in with official regional development priorities.

Nor is this all. For regional policy purposes, France is divided into four zones. The priority zone (Zone A) is further sub-divided into three and, additionally, certain areas are classified as predominantly rural, mountain economy, or large project areas. The range of incentives and their amount vary by zone and area. To qualify for regional development grant, available only in Zone A, and to obtain tax reliefs, a project must create a certain minimum number of jobs (which vary by area and according to whether the project is a new venture or an expansion). In addition, the regional development grant (paid at the rate of 12 per cent, 17 per cent, or 25 per cent) must not exceed a certain rate (FF 12,000 to FF 25,000) per job created. One could add, too, that it is taxable.

Designation

The Germans do not go as far. But what is instructive there is the concentration upon a series of key locations (or growth centres) and the systematic way in which these are selected on the basis of a weighted formula using three factors—employment deficit, average incomes, and level of infrastructure. This heavily statistical approach to the designation of key locations may be open to criticism. But it makes it easier to assess the results of policy and to de-schedule successful growth centres. During the past 12 years Britain's assisted and non-assisted areas have experienced varying fortunes. But the downgrading to intermediate area status of the Aberdeen area and parts of North Yorkshire last April were the first such changes in designation to have taken place since 1966.

Why Scottish traders are looking north

BY RAY PERMAN

AROUND BRITAIN

THE FAROES

FIFTY ENTERPRISING Scottish businessmen and women, many from small companies which have never before exported, are taking part this week in a trade mission to forge stronger links with one of Britain's closest neighbours.

In a hotel in Torshavn, capital of the Faroe Islands—midway between the Scottish coast and Iceland—they are persuading islanders to buy more from the UK in an attempt to offset the large trade deficit we are currently running with the group.

The venture is part of an initiative by Scottish Road Services, the North-of-the-Border branch of the nationalised road freight corporation, which began a trial roll-on roll-off service between Torshavn and Scrabster, in Caithness, last summer using the ferry operated weekly by the Faroese shipping company, Strandfaraskip Landsins.

Three 40 feet refrigerated vans were transported to and from the islands each week carrying fresh vegetables, other foodstuffs, machinery and electrical goods on the outward journeys, and fish and fishmeal—virtually the Faroes' only export—on the return trips.

Drivers from SRS took two-week tours of duty in the islands to deliver imported goods.

In the 16-week season some £3m of goods were sold to the Faroes from Britain. But there is still a long way to go to make up the imbalance in trade. Last year, Britain bought more than £9m worth of Faroese fish and fish products.

Yet the islanders seem to be enthusiastic to buy British products. The fall in the value of sterling over recent years has made UK goods competitive with those from Denmark and other Scandinavian countries and the Faroese economy is buoyant.

In 1977 the islands reduced their trade deficit with Denmark by three-quarters, from £16m to £4m, and a recent article in the Danish daily newspaper Berlingske Tidende, commented approvingly on the improvement in Faroese prospects compared to the deterioration in the payments position of the mother State.

A 7 per cent increase in fish prices, coupled with a good season which produced catches 18 per cent up on 1976, pushed up the value of Faroese exports by 34 per cent. Imports, on the other hand, rose by only 14 per cent.

Wages and salaries in the islands went up by between 16 and 22 per cent, with the highest increases going to fishermen. A cut in income tax by the Logting, the semi-autonomous island parliament, meant that real disposable incomes also went up during the year by as much as 20 per cent for many families.

So the Scottish trade mission has timed its arrival well. Mr. Len Small, managing director of SRS, believes that trade from Britain this year could be increased to £5m or £6m. His company has invested £60,000 in the venture.

The first ferry from Scrabster this season carried four vehicles and later trips will carry five or six.

The market is large. Although the damp Faroese climate makes the islands lush and they can produce some vegetables and mutton for home consumption, most food has to be imported. There is also little industry apart from fish processing and boat-building, so with a population of 40,000 the annual import bill amounts to some £400m.

But the demand goes further than manufactured goods. A consortium of British building companies was also in Torshavn this week talking to the Faroese Government about harbour work and other civil engineering contracts which could eventually be worth £20m to £30m.

Expanding British trade with the Faroes would almost certainly be at the expense of the islands' present purchases from Denmark, but Mr. Axel Mortensen, British Consul in Torshavn, believes it can be done without resentment on the part of the Danes. Faroese autonomy on economic issues is well established and the Logting has amply demonstrated its ability to go its own way.

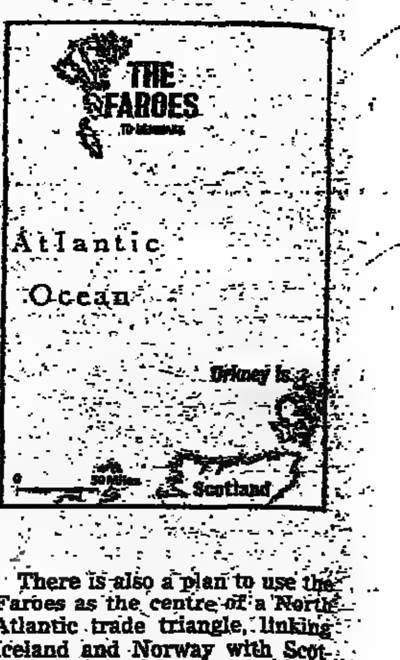
One example of this was the decision not to join the EEC with Denmark, and to follow very strict and careful conservation policies within its own 200-mile fishing limit. Denmark contributes some subsidies, notably half the cost of education and social services, but the Logting is responsible for raising all taxes and customs duties and for most of the public expenditure.

The islands' obvious prosperity contrasts starkly with that of similar communities around Scotland and goes a long way to explaining why their population is rising while that of many other groups in the north is falling.

Housing in the towns and villages is of a high standard and new homes—which can cost between £30,000 and £60,000—are large and comfortable by British standards. New cars, some British but mostly Scandinavian or Japanese, are everywhere and, although prices are high, the Faroese seem well able to afford the wide range of luxury goods in the Torshavn shops.

Many of the mountain roads traversing the larger islands are being rebuilt and the airport is modern and well equipped. There are also new ferries to link the 18 islands in the archipelago and a new bridge spans the narrow channel between the two largest, Eysturoy and Streymoy.

SRS gains from the trade both by making profits on its operation in the Faroes and by increasing the freight carried by the rest of its haulage network. Mr. Small hopes that the service can be extended beyond the summer season, although this would mean finding another ferry, since the present vessel is needed for inter-island work during the winter.



There is also a plan to use the Faroes as the centre of a North Atlantic trade triangle, linking Iceland and Norway with Scotland. But that would be outside SRS's remit.

The Scottish firms hope to sell a wide range of products to the islanders, but there is no scope for direct sales of Scotland's most famous export—whisky. Faroese must pay their taxes before they are permitted to buy spirits and even then they are limited to a maximum 36 bottles a year, which must be ordered from Denmark.

Fool's Mate can complete a double for Cecil-Mercer team

RACING

BY DOMINIC WIGAN

A YEAR AGO Henry Cecil and Joe Mercer took the Sanyo Handicap (now the Northern Dancer Stakes) with Amboise and it will be interesting to see if Fool's Mate can do the trick for them this time.

There are good grounds for expecting a bold showing from this seven-year-old gelding. The five-length runner-up to Classic Example in Newmarket's Jockey Club Stakes on his second appearance this season, Fool's Mate has since run well over a distance beyond his optimum in the Yorkshire Cup.

But for the fact that he failed to last out the final two furlongs on the Knavesmire, he would have given Smuggler a difficult race.

Over today's one-and-a-half-mile distance on what seems sure to be a reasonably fast surface, Fool's Mate may well have the class to account for Sailcloth, who looked as though he would benefit from the outing when fading to finish fourth in Kempton's Ultramar Jubilee Handicap.

There was a great deal to like about the performance put up by Shirley Heights' juvenile stable companion, Cannon King, on his debut at Goodwood recently. There the Owen Anthony bay was not given an unnecessarily hard introduction when it became clear that he could not catch Tribal Warrior in a newcomers race.

Sure to be all the better for that experience, Willie Carson's mount could be the one to beat in the Edmonton Games Auction Stakes.

Two other likely winners for Carson, who is trying to wrestle the jockey's championship from Pat Eddery, are Cannon King's stablemate, Easymede, among the runners for the opener, the Maple Leaf Stakes, and Chard's Gamble, who goes for the Sun Life of Canada Stakes.

EPSOM

2.00—Easymede
2.35—Chad's Gamble***
3.10—Fool's Mate**
3.40—Song of Songs
4.15—Cannon King*
4.50—Mecarillo

It was on the corresponding day last year that Chad's Gamble justified some substantial bets in the Maple Leaf, then the Caterham Maiden Stakes.

Darwin's trip re-enacted

A REPLICA of the sailing ship the Beagle returns to England today after a voyage which re-enacted the journey made by Charles Darwin during which he evolved many of his theories of evolution.

BBC television chartered the ship for the voyage, around Brazil, Patagonia, Tierra del Fuego and the Galapagos Islands, for a series they are making about Darwin.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University. 10.45 You and Me. 11.05 For Schools, Colleges. 1.30 pm How Do You Do? 1.45 News. 2.05 For Schools, Colleges. 3.20 Teithi'r Tir. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Scooby Doo. 4.40 Playhouse. 5.05 Horses Galore. 5.35 Roobarb.
5.40 News.
5.55 Nationwide (London and South-East).
6.20 Nationwide.
6.50 World Cup Report.
7.25 The Wonderful World of Disney.
8.10 Elvis in Concert recorded in 1977.
9.00 News.
9.25 Kojak.
10.15 Tonight (London and South-East).
10.45 Regional News.
10.46 The Late Film: "Run A Crooked Mile" starring Louis Jourdan and Mary Tyler Moore.

All Regions as BBC 1 except at the following times:—

Wales—1.30-1.45 pm O Dan Y Mor. 5.55-6.20 Wales Today. 10.15 Kane on Friday. 10.45-10.46 News for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.46 News for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Gallery. 10.45-10.46 News for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) On Camera; Midlands (Birmingham) Look, Hear!; North (Leeds Lifelines; North East (Newcastle) Friday North; North West (Manchester) The Gregs of Quarry Bank; South (Southampton) Cusden on Location; South West (Plymouth) Peninsula; West (Bristol) The Showbiz Major.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.55 Open University.
7.00 News on 2 headlines.
7.05 That's the Way the Money Goes.
7.30 Newsday.
8.15 The Money Programme: The New Squirearchy, farmland owned by Institutions.
9.00 M. H. & 5p: Fivepenny Piece with Mike Harding.
9.30 Inside Story.
10.15 The Devil's Crown.
11.10 Late News on 2.
11.20 The Sky at Night.
11.40 Music at Night with Mabel Mercer, part 2

BBC 2 Wales only—7.05-7.30 pm Heddiw. 11.20-11.45 That's the Way the Money Goes.

9.30 am Schools Programmes. 12.00 A Handful of Songs. 12.10 pm Stepping Stones. 12.30 News plus FT Index. 12.55 Help! 1.00 The Better Sex. 1.30 Beryl's Lot. 2.00 Money-Go-Round. 2.35 Racing from Epsom. 4.00 Golden Hill. 4.30 Magpie. 5.15 Emmerdale Farm.

LONDON

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Winner Takes All.
7.30 The Pink Medicine Show.
8.00 The Liberace Show.
9.00 People Like Us.
10.00 News.
10.30 "Helter Skelter," (part 2).
12.20 am George Hamilton IV.
12.50 Close—Music by Beethoven and a painting by Rembrandt.

All IBA Regions as London except at the following times:—

ANGLIA

12.55 pm Anglia News. 5.15 Chatterbox. 6.00 About Anglia. 12.45 am Your Music at Night.

ATV

12.50 p.m. ATV Newsdesk. 1.30 Today's People. 5.15 Mr. and Mrs. 6.00 ATV Today.

BORDER

†12.50 pm Border News. 5.15 The Partridge Family. 6.00 Lookaround Friday. †12.10 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 6.00 Report at Six. 10.28 Channel Late News. 12.15 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 12.55 pm Grampian News Headlines. 6.00 Grampian Today. 7.00 The Entertainers: Ralph McTell. 12.20 am Reflections. 12.25 Grampian Late Night Headlines.

GRANADA

12.50 pm This is Your Right. 1.30 The Amazing World of Kreskin. 5.10 What's News. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. †12.25 am Judy Sings (Judy Garland).

HTV

12.50 pm Report West Headlines. 12.55 Report Wales Headlines. 1.30 Andy's Party. 2.00 Women Only. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm.

HTV Cymru/Wales—As HTV General Service except: 12.50-12.55 pm Penawdau Newyddion y Dydd. 4.00-4.30 Camau Cantamil. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 12.50-1.00 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

12.50 pm News and Road Report. 1.00 Out of Town. 1.30 Mr. and Mrs. 5.15 Mini Musical. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Emmerdale Farm. 12.15 am Late Call.

SOUTHERN

12.50 pm Southern News. 1.30 The Electric Theatre Show. 2.00 Women Only. 5.10 Weekend. 5.20 Crossroads. 6.00 Day by Day. 6.05 Scene South East. 6.30 Survival. 12.20 am Southern News Extra.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 12.50 pm North East News and Lookaround. 1.30 Out of Town. 5.15 Mr. and Mrs. 6.00 Northern Life. 12.15 am Epilogue.

ULSTER

12.50 pm Lunchtime. 5.15 Flintstones. 6.00 Reports. 6.25 Police Six. 12.15 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.50 Westward News Headlines. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 12.15 am Faith for Life.

YORKSHIRE

12.50 pm Calendar News. 1.30 Houseparty. 5.15 Out of Town. 6.00 Calendar (Emley Moor and Belmont editions).

RADIO 1 247m

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 The Midnite Follies Orchestra (S) (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2 including 1.55 pm Good Listening. 10.00 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Ray Moore (S) with The Early Show including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young Live from Cairo (S). 12.30 pm Pete Murray's Open House (S) including 1.02 Motor Cycling (news of the Isle of Man TT Races) and 1.45 Sports Desk. 2.30 David Hamilton (S) including Racing from Epsom and 2.45 and 3.50 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk and 6.02 Cross-Channel Motoring Information. 6.33 World Cup Sports Desk. 7.02 The Midnite Follies Orchestra and Sweet Substitute in Band Parade (S) including 7.30 Sports Desk. 8.02 John Gregory conducts the BBC Radio Orchestra (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Free Spin. 10.30 Let's Go Latin with Dick Abell. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

† Medium Wave only

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Schumann (S). 9.50 Orchestre Philharmonique de Radio France (S). 10.45 Young Artists' Recital (S). 11.40 Franz Xaver Richter, Te Deum (S). 12.10 pm Halle Orchestra, part 1: Stravinsky, Chaikovsky (S). 1.00 News. 1.05 Playbill (S). 1.20 Halle Orchestra, part 2: Dvorak (S). 2.15 Royal Repertoire: Music by Chaikovsky (S). 4.45 The Young Idea (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Lifelines: Leisure and Recreation. 7.30 BBC Scottish Symphony Orchestra, part 1: Wagner Mendelssohn (S). 8.15 "The Kiss," adaptation of short story by Chekhov (S). 8.35 Concert, part 2: Beethoven (S). 9.20 Joy Lined with Metal: Jon Silkin reads his own poems. 9.45 Music of the 1920s by Stravinsky, Hindemith (S). 10.20 Chanson Française: The songs of Leo Ferre (S). 10.58 Music Now. 11.35 News. 11.40-11.45 Tonight's Schubert Song.

Radio 3 VHF only—6.00-7.00 am, 5.45-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 am News. 6.17 Farming Today. 6.35 Up to the Hour including News headlines, weather, papers, sport and Prayer for the Day. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued) including Thought for the Day. 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Local Time. 9.35 A Bar for Nothing. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Analysis. 11.50 Letters from Everywhere. 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather: programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour from Northern Ireland including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.00 News. 4.05 The Magic Kingdom. 4.35 Story Time. 5.00 PM Reports. 5.40 Enquire Within. 5.55 Weather: programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 The Colourful History of the Balkan Thrones. 8.30 Any Questions? 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending . . . (S). 10.55 My Delight. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Look, Stop Listen. 7.30 Black Londoners. 8.30 Track Record. 10.00 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

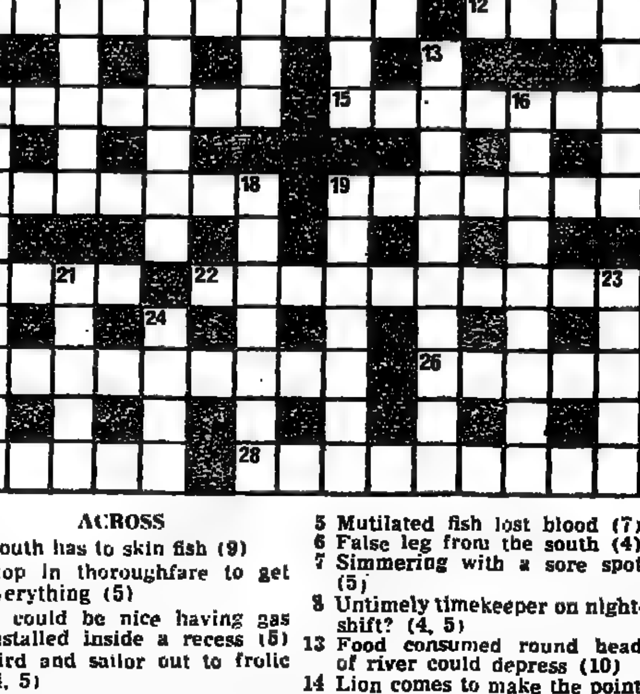
5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport and review. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 After Eight with Ian Gilchrist. 9.00 Nightline with Alan Nin. 1.00 am Night Extra with Hugh Williams.

Capital Radio

194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's London Link International (S).

F.T. CROSSWORD PUZZLE No. 3,688



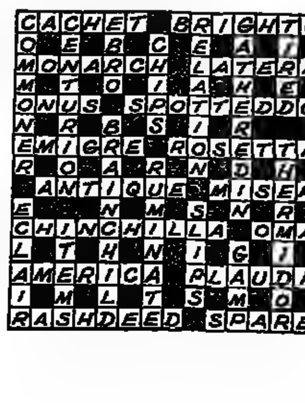
ACROSS

1 Youth has to skin fish (9)
6 Stop in thoroughfare to get everything (5)
9 It could be nice having gas installed inside a recess (5)
10 Bird and sailor out to frolic (4, 5)
11 Rodent getting cold in China (10)
12 Caught by police in scrape (4)
14 Gratuity in post or it may be salary (7)
15 Doctor, I wager about a pound, needs a drop (7)
17 Reclaim mixture? That's a wonder! (7)
19 A French knot to loosen (7)
20 Hoax Oriental in cipher (4)
22 Photographs a young lady and is offended (5, 5)
25 Member is tardy to make laws (9)
26 Fierce beast to touch and hesitate (5)
27 Heeded memorandum to deputy-leader (5)
28 Mixture of fine gas is becoming less intense (6, 3)

DOWN

1 Child in charge of sound (5)
2 One who adjusts apparatus to change current (9)
3 Foresight caught one in impressive bearing (10)
4 Shortly I will turn from bad influence (3, 4)
5 Mutilated fish lost blood (7)
6 False leg from the south (4)
7 Simmering with a sore spot (5)
8 Untimely timekeeper on night-shift? (4, 5)
13 Food consumed round head of river could depress (10)
14 Lion comes to make the point (9)
16 Doing nothing but losing one's grip (7, 2)
18 Issue eastern chap a note (7)
19 To utilise a smaller amount could be ineffectual (7)
21 Figure to approve of colloquially (5)
23 Shoots up a line in a letter (5)
24 Employed you and me on short edition (4)

SOLUTION TO PUZZLE No. 3,687



ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

هكذا من الأصل

Cinema

The rewards of Paris

by NIGEL ANDREWS

Le Sheriff (AA)	Gala Royal
Unknown Masters of the Japanese Cinema	National Film Theatre
I, Pierre Riviere	Arnolfini Cinema, Bristol
Oxford Film Festival	

This being the era of the jet plane and the Common Market, I can give no better counsel to readers and film-lovers, in a starved movie week in London, than to fly to Paris. The city is at its most resplendent in May and June, and the cinemas—in the heady aftermath of Cannes—are at their most rewarding. Most of the best French films seen at that festival are already playing in Paris, and many of the foreign ones have only waited for the publicity impetus given by Cannes to open in the French capital. There are an awesome number of cinemas to choose from, but once you have winnowed away the familiar American movies masquerading under a foreign title—*Guerre des Etoiles, La Fievre du Samedi Soir, Rencontres du Troisieme Type*—the selection is manageable.

The best film to catch—it was not shown at Cannes and has no definite opening date in London—is *La Chambre Verte*. This is Francois Truffaut's latest work, and it is a gem. Truffaut has based his film on a story (or stories) by Henry James, and the film has a Jamesian air of majestic sadness laced with wry comedy.

The hero, played by Truffaut himself, is a middle-aged widower, and journalist by trade, who cannot reconcile himself to the death of his wife. He neglects the living in order to worship and commemorate the dead. The "green room" of the title is the room in his house where he keeps his wife's pictures and mementoes, and sits before them for hours at a time in silent, candlelit contemplation.

One day he meets a girl (Nathalie Baye) who has lately suffered a similar bereavement (her lover, a former colleague of Truffaut's, has died) and is adopting the same single-minded devotion to his memory. The sentimental option now open to the film is obvious: these two worshippers-of-the-dead can be transformed by their feelings for each other into lovers-of-life. But Truffaut eschews the sentimental, and the film glides on in its eerie, embalmed-looking manner to an ending of resonant mystery and sadness.

It seems ages since a Truffaut film elicited wholehearted superlatives from critics. (Perhaps the last was *Day for Night*). But *La Chambre Verte* is a marvellous return to form. Taking his cue from the title, Truffaut has shot the whole film through what seems to be a subtle green filter: the images are sickly, sub-aqueous. Yet the film never allows itself to be submerged in its own melancholy. Truffaut's performance radiates childlike simplicity and single-mindedness rather than adults disenchantment (innocence was the quality Steven Spielberg says he saw in Truffaut when he cast him for *Close Encounters*): and the film plays a fascinating double game with the filmgoer's emotions, at once endearing him to and repelling him from the characters' love affair with death. I do not know when the film will come to London, but if you want to spare yourself weeks or months of suspense, go and see it now in Paris.

Also playing in Paris is the new Joseph Losey film, *Les Routes du Sud*. This is not such good news. Respect for the memory of Losey's vintage period as a director in Britain—*The Servant, Accident, King and Country*—tempts me to mollify my remarks about his latest work. But this French-made film about an aging revolutionary (Yves Montand) and his inability to adapt to new causes seems on first viewing to be an unmitigated failure.

Montand wanders through Jorge Semprun's script, in which he plays a veteran of the Spanish Civil War who has lost touch with the new political generation (represented by his son), looking not only deeply tired, which he should be, but deeply bored, which he should not. Matters are not helped by the fact that Montand has already played this role, it seems, several times before—most notably in Resnais's *La Guerre Est Finie*, also scripted by Semprun. Losey's direction is so solemn and circumspect that one feels one is attending a church service, in which the new god is Marxism and the new liturgy the exchange of po-faced and elliptical movie dialogue. Perhaps the film will improve on a second, English-sub-titled viewing. But I have my doubts.

Patrick Dewaere and Aurore Clement in 'Le Sheriff'

In the time available to you if you spare yourself a visit to that film, go to the Musée du Cinéma at the Palais de Chaillot. This is part of the Paris Cinemathèque, the film centre founded and run, until his recent death, by that magisterial Frenchman, Henri Langlois. The contents of the museum were amassed virtually single-handed by Langlois, and they range from relics of the pre-history of cinema (peepshows, zoetropes, praxinoscopes) to such modern-day marvels as the hologram.

The museum is comprehensive but compact, and does not leave one exhausted after a single visit. The pièce de resistance is the room containing the reconstructed sets from the 1919 German horror classic *The Cabinet of Dr. Caligari*. Legend has it that Langlois looked up from his desk one day and enquired of his friend and fellow-cinephile Lotte Eisner if the film's designer, Hermann Warm, was still alive. When Miss Eisner replied in the affirmative, Langlois reached for the telephone, called Herr Warm, and asked him to come and rebuild the sets for the museum. He did so, and there they stand today: the spooky, distorted houses, the false-perspective streets, the windows like maddened eyes. Treat yourself to a frisson of recognition, and go to see them.

London, as intimated earlier, has an off week this week. Opening at the Gala Royal is a streamlined but undistinguished French thriller called *Le Sheriff*. Though deftly made, by writer-director Yves Boisset, it smacks of déja vu in its story of a French magistrate (Patrick Dewaere) who battles his way through police corruption and political intrigue in order to find, arrest and convict a notorious gang-leader. Allowing for substitutions—Dewaere for Jean-Louis Trintignant, French political misdoings for Greek—the result seems to often like *Son of Z*, and only the shock ending startles one briefly to the edge of one's seat.

The National Film Theatre mounts a season of Japanese cinema this month: introducing us to 21 of the lesser-known directors who worked in that country between 1934 and 1964, and whose names have since been overshadowed in critical esteeem by the Kurosawas, the Ozus and the Mizoguchis. It looks to be an excellent and enterprising season, and it lasts until June 29.

To end as I began on a non-London note, I urge anyone living West of the capital, or travelling in that direction, to pay a visit next week to Bristol and/or Oxford. Bristol's Arnolfini Cinema is showing Rene Allio's influential and fascinating *I, Pierre Riviere*. Based on the true story of a Normandy peasant who in 1835 murdered his mother, brother and sister, the film takes a melodramatic subject and handles it with almost scientific precision and detachment. There is no appeal whatever to the filmgoer's more bloodthirsty instincts. Instead, it is a persuasive and enthralling account of the social and historical conditions in which the boy grew up, and which may or may not be held partly guilty for his crime. The film has had a great influence on current critical debates about the relationship between History and the Cinema.

On Saturday the Oxford Film Festival gets under way: giving British premieres to films such as Minnelli's *A Matter of Time*, Jack Gold's *The Medusa Touch*, Lina Wertmuller's *A Nightful of Rain* and Paul Mazursky's *An Unmarried Woman* (which won its star Jill Clayburgh the Best Actress award at Cannes this year). Also to be savoured in the two-week event are a Satyajit Ray retrospective and a survey of films from the Hitler era.

Hayward Gallery

Frank Auerbach

by WILLIAM PACKER

Too few of our best artists enjoy a wide reputation at home, informed approbation too often met if not by actual incomprehension at least by the eyebrow raised significantly. And yet, while our theatrical knights are no doubt happy to stand in for all the arts, and sportsmen take over the Order of the British Empire, we could boast, had we the mind to do so, a body of artists practising here, across the entire spectrum of visual activity, that is quite unmatched elsewhere, whether we measure its achievement in terms of ambition, seriousness, invention, or sheer accomplishment.

Frank Auerbach is one of that handful of painters most admired by his peers, which places him at once among the very best in the world. British only by adoption, but of very long standing, he has made his life's work here, and he is now, without question, one of us. The major retrospective now at the Hayward (until July 2) is the least he deserves, a dense, weighty and ultimately triumphant demonstration of painting at its most concentrated and profound. No one can claim to be seriously interested in the art of our own time and yet not know that it is on, and wish to see it. But, as a fellow journalist sadly pointed out, as he made off to more newsworthy an exhibition, few of the general public have heard of Frank Auerbach, and his work is very low on any list of editorial priorities.

Some would say that this state of affairs is largely the artists' own fault, that the gulf between themselves and the public is of their own digging. Certainly Auerbach's work is heavy stuff, often superficially unattractive, demanding time and effort for its consideration, and never easy even to the enthusiast. But then what should he do about it? Should he compromise, making the work less than he intends, and so condescend to his prospective audience, saying: "I have made things easy for you—here is something pretty to hang on your wall"? The best, the most honest and worthwhile art of all kinds, sets its own terms, and we must work very hard at them sometimes for our insights and rewards.

The rewards are there to be won in Auerbach's work: and here I must take care not to foster the impression that it is all hard slog, for, though it is slow to reveal itself as such, there is within the work an element that is very beautiful. A bare description, however, does emphasise its uncompromising nature. The earliest work shown dates from 1952, a painting of the nude, and in all the time since then the nude and the head have supplied his staple material. There are landscapes too, and again the work indicates the almost obsessive singularity of the artist's preoccupation, the earliest a study of a building site, the latest a site near the Camden Theatre. Primrose Hill is his only remotely bucolic subject, the bare trees against the sky providing the bones of a more natural architecture than girders and scaffold poles.

From the first the paint was heaped on to the canvas with laborious insistence, the final state always a dense accretion of matter, seemingly inches deep and growing deeper, the image literally modelled in pigment. As time went on, so the inescapable physicality of the work, this fusion of image with process and substance in the desperate attempt to make the painting itself live in its own right, was taken ever further, the paint laid on, unmixed and unworked, squeezed straight from the tube. In the drawings, curiously, we see the condition inverted, a nice if unintentional complement, the heavy charcoal scored into the paper, the mark repeated, removed, repeated and scoured away again until authority and authenticity are at last imposed, the paper rubbed through and patched as may be. But even the best of artists gets carried away at times as the work takes charge of them; a crisis that may even be extremely beneficial should they have the moral strength to regain control. By the mid-sixties the clotted surface of the work was all but impenetrable, the wood for once very much in the way of the trees. Painting problems, literal obtrusiveness no adequate response to awkward sculptural discipline. But in the years since then Auerbach has reduced the work physically, pressing the work back on to the surface, scraping and wiping it down and working back into it. Brushwork and drawing have reasserted themselves, the statement of imagery speeded up, more relaxed and expansive. There is a bravura in the handling now that was markedly absent before.

Auerbarch rejects the label for himself of 'Expressionist,' taking it pejoratively as a cheap and limiting epithet: and yet expressionism is hard to avoid in considering his work. The idea of a slapdash, thoughtless, immediate self-indulgence, that you bang it all down and whatever you get is what you want, is of course objectionable: but to suggest as much of him would be to travesty not only his own but also the work of those many great artists preceding him in the same honourable tradition. We can say of it that his work most certainly is possessed of most authoritative an expressionism in the sense that each single, final, expressive mark, a mark that might have been re-phrased many times before it was achieved at last, embodies not only that accumulative deliberation but also the dramatic, decisive, final act that made it.

But expression is not its own sole justification, and we must look also to what is expressed. Whereas once we were perhaps a shade over-preoccupied with Auerbach's process for its own sake, the images now, of men and women in particular, so unblinkingly and single-mindedly exposed to us, force us back to the contemplation of our own humanity. Such has always been the achievement, to say nothing of the social usefulness, of the artist, to provide a focus for our own thoughts about ourselves and our experience of the world, through trying to do as much for himself. The measure of that achievement lies, perhaps, in the deeper beauty of the work; and many of the later paintings, the portrait studies especially, are very beautiful indeed.

Frank Auerbach in his studio

Barry Desmond

Renata Scotto and Veriano Luchetti

Florence

I vespri siciliani

One of the outstanding events of the 14th Maggio musicale fiorentino, in 1951, was a gala revival of Verdi's *I vespri siciliani*, conducted by Erich Kleiber, with Maria Callas as Elena. In those days, the work was still something of a rarity; and in the 27 years since those unforgettable performances, *Vespri*—despite important productions at La Scala, the Met, the Opéra—has remained a special case, outside the normal repertory. Thus it was a sound choice as the inaugural event of this year's Maggio, Florence's 41st.

Riccardo Muti conducted. His boldest decision was to give the piece absolutely uncut, including even the long ballet. The performance—in the usual Italian translation—began at eight and ended a few minutes before one, but the evening never dragged. Thanks to the intensity and logic of Muti's reading, one completely lost the sense of time outside the theatre, outside the work. Not an easy opera, *Vespri* is rich, but uneven in tone; Verdi does not always shift smoothly his attention from the intimate drama of Arrigo, Elena, and Guido to the wider drama of Sicily's oppression by the French. Without imposing extraneous ideas on the score, Muti still gave it an impressive coherence: and anguished arias and duets became one with the great soaring ensembles (the finale terzo "O patria adorata" was particularly powerful, noble and heart-rending at once). The Florence orchestra—often raw and ragged under others—finds surprising warmth of tone and precision of attack for Muti, who clearly inspires the players.

The cast was also fine. Renata Scotto's voice is not ideal for the part of Elena: when it is loud, it is often shrill and unsteady; but Scotto is, by now, a shrewd veteran. She occasionally managed to turn her very defects into dramatic points, and her soft singing—as lovely as ever—made you forgive her the rough moments. The Andante in the prison scene, "Arrigo! ah parli a un core," was tender, impassioned, melancholy: a haunting page of music unerringly sung.

Veriano Luchetti is an engaging artist: his frank, manly tenor and his youthful bearing make him, at once, a convincing Arrigo, even though he, too, has occasional trouble with loud, high notes. As Guido, Renato Bruson proved once again that he is Italy's outstanding Verdi baritone, able to be both heroic and lyrical. His scenes with Arrigo were, as Verdi clearly meant them to be, the axis of the opera, the relationship that carries the rest of the drama forward.

The part of Procida is always difficult dramatically: is he a patriotic hero or is he—as he seems in the final act, for instance—merely an operatic villain? Ruggero Raimondi sang his entrance aria with such dignity (and with such an outpouring of great, beautiful sound) that Procida's admirableness as a character was immediately established for the rest of the opera. The smaller parts were all strongly cast: the rich bass of Graziano Polidori (Bethune) was worthy of special praise. And the chorus, prepared by Roberto Gabbiani, was more than adequate for its taxing assignment here.

WILLIAM WEAVER

Phoenix, Leicester

Dragon Rock

There is a certain brand of jokey, "popular" theatre, aimed presumably at audiences of retarded adolescents, that enjoys a spurious intellectual reputation because it defies criticism. It derives, in this country, from the work of Joan Littlewood and finds historical justification in the nuttier pronouncements of Brecht on the theatre as entertainment. It is, of course, completely meretricious and deeply insulting.

The theatre of Low Common Denominators invariably starts with beer flowing on the stage, a bunch of spurious yokels singing a folk song and the audience wearing their programmes on their heads. It is the theatre of "Anything Goes," and most of it does in this trite little musical by Jet Storm at the Leicester Phoenix. The scene is a Folk Fair organised by the Ladies Circle of Costly Muxloe: a punkish rock group, led by a satanic Elvis figure, interrupts the "jollity" of egg-and-spoon races, prat-falls and clog dancing to make off with the Mayoress's daughter. A little Welsh rat-catcher is despatched to rescue the girl. He has no choice, really, as his cowardly reluctance to do so is met with a threat of a season-ticket to *Joseph* (*Joseph and the Amazing Technicolor Dreamcoat* is about to be revived for the umpteenth time by the Leicester Haymarket).

En route to his heroic encounter, the rat-catcher meets up with a middle-class university student who regales him with a song about the disadvantages of being born in Guildford; a neo-Nazi member of the Albion Awake party (called Eva Brown, ho-ho); and, finally, the punk group's secret weapon, a huge dragon formed in the likeness of Mrs. Thatcher. Such a display of theatre as devastating social criticism I have not endured since Agatha Christie's *Towards Zero*. The dragon is dismissed in a cloud of smoke by someone unfurling a banner that reads "Tony Benn, Edward Heath, Michael Foot, Nationalisation" Tremendous stuff! It makes William Douglas Home look like Odon von Horvath.

A token capitalist figure is chased from the stage muttering: "I'm on the Board of the National Theatre; I'm in the Garrick Club; I'm a personal friend of Marius Goring." Good Lord, there's someone worth hounding to an early grave! (I wonder, incidentally, whether Jet Storm and his set have clapped eyes on Irving Wardle's recent biography of George Devine—"Who?"—and learned something of Mr. Goring's fascinating early days with Michel Saint-Denis?)

The inane jollity of it all is depressing beyond belief and should on no account be confused with the efforts of others in the British theatre such as Ken Campbell and Snoo Wilson who bring genuine intelligence, talent and a relish for language to bear on the whole vexed and thoroughly debased question of "popular" theatre. I do not care a jot if the Phoenix is packed for the entire run and people laugh, cheer and drink themselves silly. They deserve, even if they do not admit it, a much better reason for doing so.

MICHAEL COVENEY

Elizabeth Hall

London Sinfonietta

A Sinfonietta concert, at best, can send one out into the night (even a rainy night) walking on air, and Wednesday's concert, conducted by Elgar Howarth, was not a great distance from that best. Inimitable programme—Birtwistle's *Silbury Air* (a second London hearing of this 1977 Sinfonietta commission), Stravinsky's *Pulcinella Suite*, Tippett's *Concerto for Orchestra*—played with the orchestra's inimitable blend of virtuosity and verve.

The Birtwistle and the Tippett scores, both exciting reactions of sheer physical exhilaration in the listener all the way from tingling scalp to ticklish toes, tempt the impressionable reviewer to comparisons in defiance of their obvious differences. Both composers command the art—so often ignored or intentionally neglected these days—of musical movement. Birtwistle in the elaborate and subtle system of pulse-movement that underlies his score, Tippett in his brilliantly jagged appropriation of baroque concerto techniques. Both composers divide their orchestras into instrumental groupings intended to contrast and conflict rather than to blend and unify their materials.

And both composers encourage in the listener an awareness of what can only be called organic musical activity, an awareness as difficult to put into words as it is enthralling and heartening to experience, a perception of musical fertility, of seething and flourishing inner life. The sound worlds of the two scores set each other off in the most favourable way possible—*Silbury Air* with its cycles of grunting, shimmering, suddenly frenzied sounds, emerged from and re-directed towards a single unison E; Tippett's Concerto with its "mosaic" instrumental combinations that seem more fitting and masterly with every hearing. Having both works in the same concert was good fortune indeed.

In the middle, *Pulcinella*, diversion and landmark at the same time. The playing of it veered at times towards riotousness, with moments of perilous ensemble; likewise the performance of the Tippett first movement, to a lesser extent. But if it was riotousness, it stemmed from musical high spirits, and so could be relished.

MAX LOPPERT

Logan Hall, WC1

Jenufa

The Chelsea Opera Group has provided many exciting performances over the years; few have managed to screw up quite such tension as *Jenufa*, sung on Wednesday at the Logan Hall. London has long rejoiced in a group of fine Janacek conductors, headed, of course, by Charles Mackerras. Now another can be aded to the list—Mark Elder. He coaxed—no, that is far too gentle a word—he bullied the COG orchestra into playing of a standard that no full-time professional orchestra would be ashamed of attaining. At the same time he saw to it that the singers were always able to penetrate the sometimes tremendous tissue of sound. Every single word of the translation by Otakar Kraus and Edward Downes of Janacek's text was audible.

The most finished and assured vocal performance came from Elizabeth Connell, who has of course sung the role of the Kostelnicka on stage. In opulent voice, she composed a powerful portrait of a woman whose downfall is caused by pride; there was no softening and no repentance even when the corpse of Jenufa's baby is discovered. In telling contrast, Marie Slorach made a youthful, vulnerable Jenufa, a girl whose superior education has not armed her against the misfortunes that an unlucky love affair can bring. She sung her little prayer for her baby most movingly, and brought radiance to the final duet with Laca.

Kenneth Woollam, though apparently suffering from tracheitis, sang strongly as Laca, his firm, ringing tones and incisive phrasing adding conviction to his performance of a role that requires a heroic tenor to do it full justice. As Steva, Graeme Matheson-Bruce started very promisingly, but in the second act over-compensated for the lack of stage movement by exaggerating the character's emotion. Patricia Conti was excellent as Grandmother Burja; Dinah Harris did well as Janos; Anthony Shelley, doubling as the Foreman of the mill and as the Mayor, was better in the latter part.

ELIZABETH FORBES

King's Head

The Featherstone Flyer

The company presenting this nonsense calls itself Dr. Kack's Infamous Freak Show, so no one can complain of not being warned. Their play, thrown together (their own phrase again) in the style of an end-of-term rag at college with an eye on the Edinburgh Festival, follows the adventures of 12-year-old Cliff Hanger, who has lost his favourite pigeon. With the aid of a narrator, doubling as Cliff's father Aircraft (Aircraft Hanger—get it?) we see him involved with a bloodthirsty butcher, a queer parson, an escaped convict in a graveyard, a local radio station, his two long-lost triplets and a medium.

Most of the jokes would seem a bit thin in a children's comic, and the performance does nothing to lighten them up. Why Cliff's bearded mother should be called Borris, or his sister, named in the programme as Cheryl, should be addressed as Brian, are mysteries not worth the investigation. There is incidental music by a pianist and a violinist dressed as policemen. The violinist is by far the most talented player of the evening.

B. A. YOUNG

Festival Hall

Berman & Tennstedt

Like his Liszt sonata the previous evening, Lazar Berman's Liszt A major piano concerto with the London Symphony Orchestra under Klaus Tennstedt on Tuesday was, in three words, capable but dull. A well-schooled and solid (though by no means unshakable) Russian technique kept the notes generally in hand; but the performance was unfocused, without broadness or sparkle—even at its most weighty, the charge of the music was not so much electric as bovine: double-octaves spun out fast and unswerving, head down in earnest; each climax a thunderous impetus, its rhythms uneasy, insecure; much careless detail of colouring and emphasis, in the quieter music especially, weakening its sense and dramatic force.

It was left to the orchestra to generate the evening's electricity and to Tennstedt, of all our occasional visiting conductors the one we should hope to hear more of in London. Together they made satisfyingly high voltage of Prokofiev's fifth symphony, notably in the inner movements, the urgent skittishness of scherzo, beautifully controlled and in the adagio, grandly mourning. There was vivid colour too in the giocoso, right up to a blazing coda, a finale which easily flags; and at the start of the programme in a radiant account of Brahms' Academic Festival Overture, bright and pungent, splendidly alive.

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Luddites in the Cabinet . . .

THE GOVERNMENT has at length yielded to the pressures of reality, and taken steps to enforce its own monetary policy. This has now involved a rise of 4 per cent in minimum lending rate since Budget day, which will impose heavy temporary costs on borrowers, and of some 3 per cent in the yield on long government stocks, which will add some hundreds of millions to public spending for many years to come. It involves a new tax on labour, which will reduce employment and investment, and will tend to drive up prices. It will certainly slow down the healthy recovery of the private sector which has at last begun. It is, to say the least, hardly the result that was intended when the Chancellor planned what he saw as a modest fiscal stimulus. It will result in less growth and more inflation than could have been achieved by greater restraint in April.

Amendment

Two sorts of mythology are likely to spring up about the present crisis. The Labour Left is likely to mutter about yet another bankers' ramp, and even to suspect political motivation. With their permanent belief that every pint pot contains a quart, and that the stone heart of private capital will yield unlimited blood, they are temperamentally unable to comprehend reality. Having obstructed the Chancellor's declared plans to restore a little of the lost real value of the higher tax bands, and pushed through a raid on the contingency reserve for extra spending, they left a Budget which both imposed an excessive borrowing requirement, and cried out for further and expensive amendment. This was duly introduced by the Opposition.

The Chancellor, who has learned in four traumatic years that two and two cannot be persuaded to make five, was aware of these dangers. The initial rise in MLR on Budget day was an admission that if the Government is going to hog most of the available credit in the economy, its price to the private sector must rise. He had been warned of the further tax cuts which the Liberals would help to force through, and has adopted the Liberal proposal for financing them, in what looks very like a cynical political calculation.

Indeed, it would be an insult to Mr. Healey's formidable intelligence to suppose that the new measures are anything other than cynical. He must certainly understand that when investment is financed entirely by retained earnings—partly because excessive Government borrowing has driven companies out of the market—a charge that will take £1½bn out of corporate cash flow will reduce investment. Indeed, unless most of the charge is passed on to consumers—reducing consumer incomes in real terms—the present revival of investment will be reversed. He must also be aware that there is something ludicrous in the spectacle of a Government which subsidises employment in uncompetitive industries by imposing a tax on employment in productive ones.

He certainly knows that the real value of excise duties on such thinks as drink, tobacco and petrol has fallen, because he has said so. However, the prejudices of his supporters are sacred, and the short-term management of the retail price index in an election year is more important than the long-term management of the economy. Hence a Budget which means constricting the private sector is completed by a charge which cuts investment to keep harmful indulgences cheap.

Second myth

This said, it must be added that the measures, though delayed and wrongly structured, do appear to be financially adequate. The borrowing requirement has been brought back under 'control, and the reaction in the gilts market yesterday gives ground to hope that the impasse on funding has been ended for the time being. Indeed, sales of Government stock combined with banking restrictions which actually call for a considerable cut in interest bearing liabilities will probably reduce the money supply in the coming months. On past exerience, interest rates, having been pushed to a peak, will trend downward again as the Grand Old Duke of York starts on his return journey. The whole outcome will help to propagate a second myth, to be embraced by the Prime Minister, the Chancellor and the financial authorities: that at least the present episode demonstrates their firmness. Unfortunately it also demonstrates pig-headedness.

. . . and Bourbons in the Bank

THIS IS, after all, the third successive crisis of an almost identical pattern which has upset monetary management. The one welcome novelty is that the authorities have decided to react early in June rather than waiting until July or even September, and the corresponding measures in the monetary field are therefore a litle less horrific than they might have been after a longer delay. However, the basic pattern of a bull market in Government stock, followed by a pause in which the authorities appear to dither, followed by a reluctant crescendo of measures to raise interest rates and restart the whole futile cycle, has changed remarkably little. The authorities appear to forget nothing and to learn nothing.

Strong inflow

The present monetary crisis has been in preparation for some months, and the fact has been evident to many commentators, and visible in the excessive rate of monetary growth in the second half of financial 1977-78. This time round, the usual funding cycle has been strongly reinforced by a symptom of recovery—the strong inflow across the exchanges last year. The private sector surplus, trapped behind the barrier of exchange controls (another public monument to Labour prejudices) added strongly to the potential growth of the money supply.

A system of monetary management which relies almost entirely on sales of government stock to the savings institutions is inherently prone to strong tidal reverses as bull markets run their course, as we have frequently argued: and such a system is particularly unsuitable for dealing with the situation which arose as a result of the inflow. Some direct method of tapping corporate liquidity has clearly been required. These funds cannot be tapped through sales to the institutions.

To have maintained stable financial conditions in such circumstances, and through present methods, might have tested the ingenuity of a genius: but technical conservatism seems to have been compounded by misjudgement. The authorities appear to have believed that the imposition of a reasonably tight monetary target in the Budget would of itself inspire such confidence in the inflation prospect that a bull market in Government stock would spontaneously restart after a minor adjustment of rates.

Of course if the Government had taken its own monetary targets as a serious constraint on its own fiscal freedom, such a result would very probably have followed, and the next funding crisis would have occurred at a much lower level of interest rates. However, in the context of the Budget the monetary targets simply underlined the very ambitious funding target which the Government had set itself, and investors naturally wondered at what price such a volume of funds would be forthcoming.

Education

The cost to the economy of the present measures has certainly been increased both by the conservatism of official management methods and by this misjudgment; and it is therefore to be hoped that the present episode will strengthen the arguments of those who have been urging some overdue innovations in monetary management. The case against existing methods has never been that they cannot be made to work at all, but that they work sporadically, and can only be activated in a crisis at excessive cost.

One can only hope that when financial calm has been restored, some of the necessary measures to widen the armoury of the monetary authorities to tap a smoother flow of funds from a wider range of sources will at length be introduced. If in addition the Government has learned that monetary policy is a constraint on its own spending in good times as well as bad, the present crisis could be counted as cheap education.

Schmidt's grand design for the economic summit

By JONATHAN CARR, Bonn Correspondent

Terry Kirk

Helmut Schmidt: has he got the American message?

THE OUTLINE of a package deal is emerging for the western economic summit conference in Bonn next month. West Germany would be ready to promise further steps to try to boost economic growth in return for an agreement from its major partners on other issues. It would include a pledge by President Carter to act to reduce U.S. oil imports, a promise by all participants to resist protectionist pressures, and an agreement actively to pursue the goal of greater currency stability. An agreement on all of these, in the German view inter-related, issues, so it is said in Bonn, would be a highly respectable contribution to western economic recovery. But the failure of any one element to merge could destroy the whole package and produce a summit of little help to the economy or, politically, to its participants.

Some of Bonn's partners—notably the U.S. and Britain—may wonder why they should have to make concessions in order to obtain more German growth. In spite of the slightly more encouraging statistics of the last few weeks, West Germany still seems very likely to fall behind its aim for growth this year.

The trade and current account surpluses for the first four months are actually higher than a year earlier—and the inflation rate has fallen below 3 per cent. One recent American visitor to Bonn looked at the figures and asked with exasperation: "Don't the Germans like growth—or don't they know there are deficit countries out there?"

The answer is that if the Germans did not want more growth they would not have passed a dozen programmes since the outbreak of the oil crisis to try to boost the economy. They culminated last year in a big, medium-term public investment programme and a series of tax concessions which, in sum, will mean a shortfall of revenue this year of roughly DM15bn (about £3.9bn).

The Germans had hoped that after a disappointing 2.4 per cent real growth of Gross National Product last year, the cumulative effect of all the measures taken would bring 3.5 per cent growth this year. Few remain so optimistic. But it is fair to ask what good a 13th pump-priming programme would be if the upshot of the previous 12 seems likely to be real growth in 1978 of 3 per cent or less.

One suggestion is that the Germans should have resorted earlier and more massively to deficit spending—and that, had they done so, the economy would long since have "taken off." But then the national debt has doubled in five years to DM 323bn at the end of 1977. By the end of this year the public sector deficit is likely to amount to almost 5 per cent of GNP—compared with, for example, a public sector deficit of 1 per cent of GNP in the U.S. True, the figures and the economies are not wholly comparable. That is an important lesson which seems to have been learned by both sides since the high point earlier this year of West German-American differences on the growth issue.

For example, there now appears to be more understanding for the extreme German sensitiveness to inflation. It is almost impossible to find anyone responsible in the German Government, Opposition, industry, or in the banks who feels that more economic growth can be bought with a little bit more inflation. There are obvious historical reasons, but the attitude is far from confined to those who lived through the hyper-inflation of the Weimar era. Growth to the Germans means real growth. Therefore inflation is its enemy. A change in this attitude would appear to require a change not of Government but of national psychology. There is no sign of that.

Less deep-seated—but crucial to the problem of deficit spending—is the restriction imposed on the Government by the Constitution. Article 115 says that the Government may not borrow more in any one year than the sum of its investment expenditure and that "exceptions shall be permissible only to avert a disturbance of overall economic equilibrium." This year for the third time since 1975 the Government is likely to overshoot the mark. It can with good conscience point to low growth and nearly 1m unemployed as proof that there is no "economic equilibrium." Yet the Constitution speaks of "exceptions." If the Opposition were to take the Government to the Constitutional Court, as it toys with doing, it is unclear who would win.

West Germany's position as an export champion has for long been so much emphasised that its position as the world's second biggest importer has been overshadowed. Between 1974 and 1977 the volume of German imports rose by 26 per cent in real terms, more than double the average world import growth rate, more than three times the rate of increase of German exports, and roughly four times the growth rate of West German GNP.

That has not, of course, removed the trade surplus—but then the structure of German trade is worth examining. Last year Germany had a surplus with the OPEC countries, but a deficit with the non-oil-producing developing world—presumably the countries which themselves need a trade surplus most. Further, the proportion of manufactured goods in German imports has steadily increased while that of raw materials has declined—a trend hard for some sectors of German industry, but good for the creation of more jobs outside Germany.

Once the traditional German deficit on services and transfer payments (such as migrant workers' remittances to their home countries) has been subtracted from the trade surplus, a current account surplus remains which last year totalled DM8.7bn or 0.7 per cent of GNP (against 1 per cent in 1975). It is doubtful whether there is much scope left for a further reduction, given that West Germany makes its way in the world as an exporter of expensive capital goods and has to help its foreign customers with credit. Further, West Germany was actually a deficit country last year to the extent of DM2.9bn if its performance is measured by the basic balance, that is the current account less the long-term capital account. The latter includes German direct investment abroad which in 1977 was almost twice as large as foreign investment in Germany. The basic balance has been in surplus again this year, but the Bundesbank argues that the longer-term trend is downward.

West Germany's export dependence also underlines the problem for a government seeking to stimulate the economy from within. And it provides the link to the Bonn summit conference. If the economy is to flourish, as West Germany's partners say they desire, then German exports must flourish too. In the German view this requires, first, relative stability for the world's leading reserve and trading currency, the dollar. That in turn means a cut in the American oil-induced trade deficit, and a firm attack by U.S. authorities upon inflation.

The Germans recognise that speedy results cannot be expected on either front—just as they hope the Americans now understand that there is unlikely to be a quick solution to Germany's growth problem. But a firm start by the U.S. Administration would, it is believed, bring a climate in which other factors favourable to the dollar—such as the big interest rate differential between Germany and the U.S.—would make more impact. It is noted that President Carter has powers of his own, including the ability to impose an import levy on oil, if Congress fails to act on his energy-saving programme. The Germans would like to see him use them—or undertake to use them by a target date.

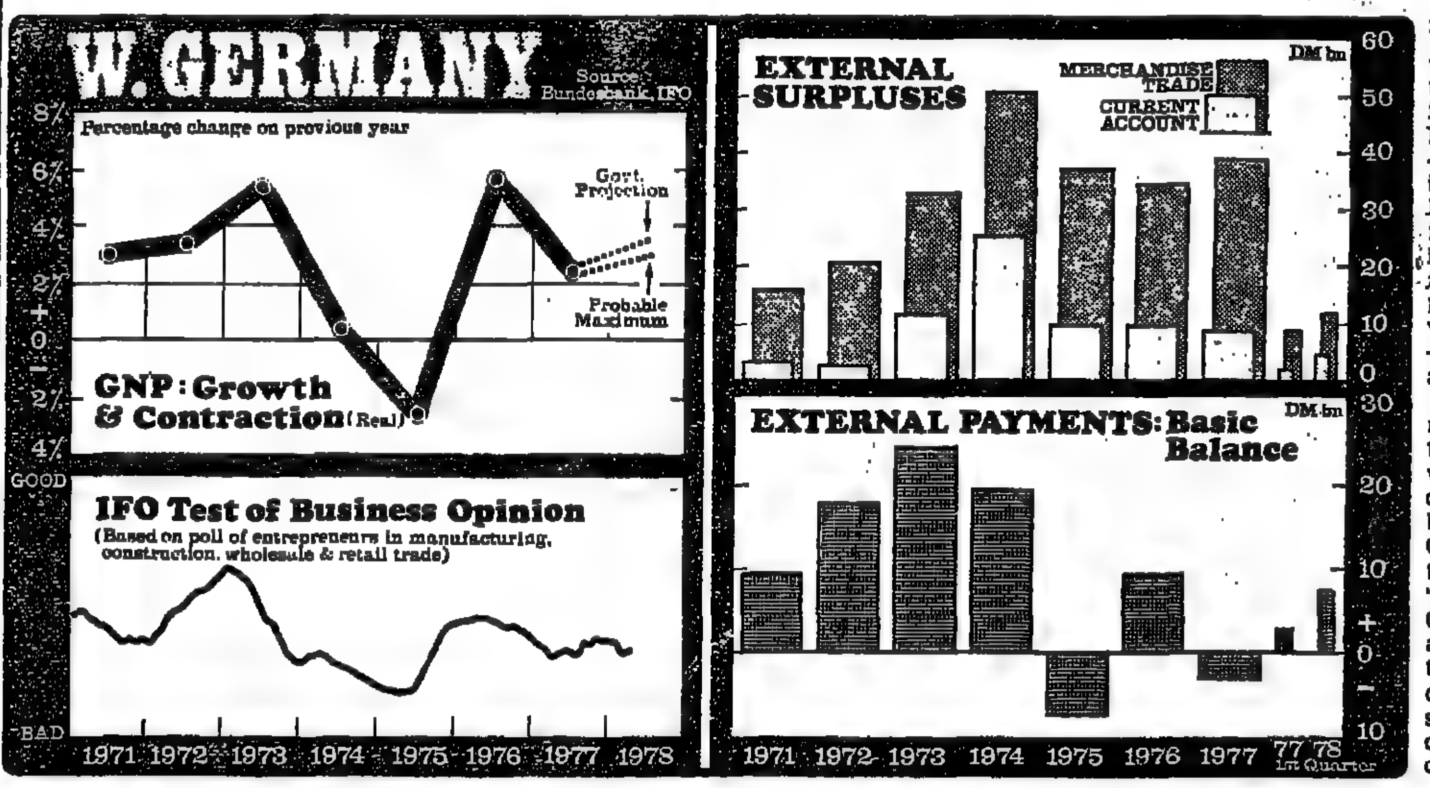
From their European partners, the Germans would like to see agreement to move ahead with the ideas for a wider zone of currency stability put forward by Herr Hlmut Schmidt, the Chancellor. They point to the trading benefits the currency "snake" countries (West Germany, Benelux, Denmark and Norway) have derived from the existence of a largely stable currency relationship. They suggest that if other European countries can be drawn into, or close to, the snake, then all will benefit. M. Valery Giscard d'Estaing, the French President, supports the plan. The British are particularly reticent, though far from alone in seeing practical difficulties.

British reservations have focused on the objection that the U.S. might see such European action as directed against the dollar. The Germans see the idea as directed partly against the rise of the D-Mark as a second world reserve currency. This is a burden they do not wish to assume and raises the question of what might be done to increase the role of the European unit of account as a reserve asset.

In an interview this week, Herr Schmidt indicated that he felt he had American support for his scheme. He also said that while he did not expect agreement on it at the European Council meeting of EEC Heads of State in Bremen 10 days before the Bonn summit, he did hope that a certain "basic tendency" would become evident there. In essence this means that the Germans would like the British to come around sufficiently to allow a joint, basically favourable, European line on currency stability to emerge before President Carter arrives in Bonn.

None of this will be much help if the tendency to more protectionism grows. While the Economics Minister, Count Otto Lamsdorff, has been pillorying other states on the issue, some sectors of German industry have been increasingly pressing for protection for themselves. The German Government needs a quick result from the current GATT talks—or a decisive impetus from the Bonn summit—if GATT has not succeeded by then.

The German Cabinet on Wednesday held the first of two discussions on the economy and on the budget for 1979. The second round will be held after the Bonn summit—on July 26. That will provide the opportunity, in the light of what has emerged, for a decision on new stimulatory measures. Steps both in the tax and investment fields are possible. The Americans have been hoping for a boost of 1 per cent of German GNP—that is roughly DM 12bn—which does not mean they will have their wish wholly granted. But the readiness for a deal is there—provided others are prepared to play their part on the day.



MEN AND MATTERS

Britannias of our time

The scene yesterday lunchtime around the Albert Memorial in Kensington would even have made Queen Victoria smile. The steps of the memorial, and the grass all around, were completely smothered in the finest flowers of our national womanhood, eating sandwiches and drinking coffee from vacuum flasks. These were the delegates to the annual general meeting of the National Federation of Women's Institutes, taking a breather from the day's debates across the road in the Royal Albert Hall.

Do not imagine, however, that these spokeswomen of the 400,000 WI members around the land were all of the traditional full-bossomed, chutney-making sort. As I was eyeing the scene, someone who quite resembled one of the younger lady reporters on the *Daily Express* came up and demanded: "Quick, where's the nearest pub?" Pointing to the badge on her jaunty, box-pleated dress, she explained: "I'm a delegate from Somerset—don't know this part of London."

In short, it would be wrong these days to type-cast all WI women. One resolution passed yesterday strongly attacked pollution of the sea and the "over-exploitation" of marine life. There was a demand that the government should think again about the plan to close the Elizabeth Garrett Anderson Hospital, some tough speaking about child pornography, and anger over citizens living below the poverty line. The federation is also on a fitness kick: many delegates were wearing tee-shirts emblazoned "Good Health is Fun!" This conviction has in no way been dimmed by the fate of a national committee member (her name a close secret) who snapped her

"What's is for—the Mini Budget, Guy the gorilla or Scottish football?"

achilles tendun while out jogging.

In the crowded Albert Hall the handful of men—mostly representing various ministries—tended to hide behind self-conscious smirks. But they undoubtedly went away feeling that this huge regiment of women is a force to reckon with. "We could be the sixth biggest trade union in the country," a Welsh delegate told me meaningfully. Yet the WI makes a point of ambracing all political viewpoints and personal styles. One lady eating an ice cream outside the hall was wearing carpet slippers and had her hair in rollers.

Hope at last

I had expected to find the six Chilean hunger strikers at St. Aloysius' Church in Euston looking at death's door. But though thin and wan they were in good spirits. In part this was because, in common with other relatives of some of the estimated 1,500 opponents of Pinochet who have "disappeared" since the 1973 coup, they were temporarily on food again after 14 days of consuming nothing but mineral water. But it also reflected the visits they have had from MPs, unionists and Church figures, and the way that in Santiago the Catholic Church at last may be making progress in ascertaining the fate of some 400 of the better-documented "disappearances."

In Parliament yesterday there was an Early Day Motion put forward by various Labour MPs; it called on the Government to "make representations to Chile in support of the hunger strikers." This is mild wording compared to how a number of Labour MPs refer in private to the low-profile efforts made by the British Government to trace prisoners. But the hunger strikers have just written to Dr David Owen, thanking him for allowing relatives of the disappeared people to fast in the British Embassy, as they did for 48 hours. They say they wish to visit him.

Diana Beausire, whose own brother was seized by Pinochet's men at Buenos Aires airport in 1974 while he was travelling with his British passport, told me that they were only suspending the hunger strike for 48 hours. This had been a condition set by the Chilean junta for it to be prepared to talk with representatives of the Church.

Sitting beside her, Christian Van Yurick described how he had been tortured for six months before being subsequently released. He then showed me a letter from the Chilean Ministry of Foreign Affairs of August 18, 1974 saying his brother Edwin and sister-in-law were "at present under preventive detention for the due investigation of their cases, and that they are in perfectly normal health."

In 1975 the Chilean regime said the letter was an error and that both were among 119 people "killed abroad," according to Amnesty International. Had there not been an amnesty in Chile one month ago? I asked. "Oh yes," Van Yurick told me, "but few prisoners were released and the amnesty has completely blocked all attempts to use the courts to trace prisoners. It also amnestied all torturers."

Penalty spots

Football fever may have left you cold, but now that the razmatazz about Scotland's Tartan Army has been replaced by an embarrassed silence, North of the Border it is positively freezing. The patriotic window displays urging Ally MacLeod's men to victory have vanished. Argentina '78 tee shirts are reduced for clearance. And Chrysler have dropped their advertising campaign that the team and the Chrysler Avenger "run rings round the competition."

If that sounds gloomy stuff, spare a thought for the football-mad Brazilians. Their Wednesday night draw with Spain means their chances of winning the World Cup are practically zero. As spectators wept, Julio Gondim, watching the match in a bar at Bangu, called for a glass of cane spirit to wash down an overdose of barbiturates. He died on the way to hospital. In another bar a fan known as Big Head put two shots into the head of a neighbour when the player Zico was taken off.

Zico and a second player, Coughino, were buried in effigy in a four-hour ceremony in Rio de Janeiro. During the match, Rio's main avenue was deserted and the banks closed their doors. If Brazil were to lose a match, Scotland's gloom would begin to seem like a Highland Fling.

Observer

POLITICS TO-DAY

Reforming the 1911 Official Secrets Act

SOMETHING may be about to happen concerning the last unfulfilled pledge in the Labour Party Manifesto of October, 1974. "Labour believes," that document said, "that the process of government should be more open to the public." And, to that end, it promised to "replace the Official Secrets Act by a measure to put the burden on the public authorities to justify withholding information."

Mr. Merlyn Rees, the Home Secretary, confirmed in a written Parliamentary Answer this week that the pledge has not been forgotten. In all probability, the Government will produce a White Paper before the summer recess setting forth various proposals for the reform of Section 2 of the Official Secrets Act, 1911. There will be nothing dramatic, and indeed some Labour back-benchers have already told Mr. Rees that if that is all he has to offer, the White Paper might just as well not be printed. Nevertheless, the Goverment is likely to go ahead with the *intention* of awaiting comments after its publication before proceeding to legislation.

More radical

The question is whether the *campaign for more radical reform* has now achieved such a head of steam that the Government's *proposals* are going to look distinctly feeble. There are at least three groups working on ideas of their own which should be ready for publication at about the same time as the White Paper. Those groups are the Liberal Party, a ginger group for constitutional *reform known as the* Outer Circle Policy Unit, and a sub-comittee of Labour's National Executive Committee. They may compete among themselves in radicalism, but all of them more than outdo *anything that is likely to come* from the Government.

What has really happened is that a long-running debate *about* the reform of the Secrets Act has turned into a debate about the public's right of access to official information. *The Government is still talking* about the former; the others are talking about, and calling *for, the latter. But to explain* this requires a bit of background, and there can be few *better sources for that than* the report of the Franks Committee published in 1972.

The Committee was set up to review the *operation* of Section 2 of the 1911 Act and to make *recommendations*. Its report *recounts that through*out much of the nineteenth century there was a good deal of concern both about espionage and the leakage of official information, but there *was no legislation covering* official secrets. The first Official Secrets Act was introduced in 1889, *yet was quickly thought* to be inadequate. All sorts of leaks continued to take place. *In 1900, for example*, the Establishment was shocked by the leak to the Press of the *Home Secretary's decision* to authorise an increase in the pay of the Metropolitan Police.

By 1908 the Government *decided to act. It introduced* a Bill designed not only to strengthen the law on spying, but also *to prohibit* unauthorised publication of certain *official information*, if publication was not in the interests of the State. The Bill was abandoned owing to a mixture of opposition *from the* Press and lack of Parliamentary time.

Agadir crisis

The summer of 1911 was a difficult one. There was the constitutional *crisis over the* Parliament Bill, and there was the Agadir crisis. There was *also much concern about* German espionage. The Official Secrets Bill was thus introduced in July *and quickly passed*. Section 1 was about spying: Section 2 was designed to limit the *unauthorised disclosure* of official information of any kind, and it broke new ground in that it *made not only those who* disclosed, but also those who received, the information—even if they did not use it—liable to prosecution.

The Franks report notes that *Section 2 was not once* mentioned in the Parliamentary debates and adds in an appendix *that, contrary to the reaction to* the Bill of 1908, the Press was too preoccupied with other *matters to take any notice of* the new and even more restrictive proposals. That, briefly, is *how we came to be lumbered* with Section 2 of the Official Secrets Act, 1911. In the words of the *Franks Committee*, it is a "catch-all." "All information which a Crown servant learns in *the course of his duty is* "official," for the purposes of Section 2, whatever its nature, whatever its importance, whatever its original source." One might add that its only *saving grace is that the section* is so absurd that it is now *rarely invoked.*

Yet the *Franks Committee* too had its limitations, if only because of its terms of reference. The call for more open *government*, as distinct from simply reform of the 1911 Act, came from the Fulton Committee on the Civil Service *in 1968*, and it was the Conservative Party Manifesto in 1970 (the year the Tories won) that *promised to eliminate unnecessary* secrecy in government workings. The fact that the Conservative Government *then* confined the Franks Committee to reviewing the operation of Section 2 indicated some backtracking, just as the Labour Government has since backtracked on the Labour Party Manifesto of October, 1974.

Mr. Rees, who was himself a member of the Franks Committee, told the House of Commons on November 22, 1976, that the Government had concluded that Section 2 *should* be replaced by an "Official Information Act" on the broad *lines that* Franks had recommended, and went slightly further. According to Franks, the new Act restricting the availability of official information should apply only to classified information relating to defence or internal security, or to foreign relations, or to the curency or to the reserves, the unauthorised disclosure of which would cause serious injury to the interests of the nation. *There were one or two* other categories, such as Cabinet documents, but that was the *gist of it. Mr. Rees told the* House that the Government was prepared to be somewhat more *lenient than Franks on matters* of economic policy and differed from *Franks* again in that it was disinclined to accept that there should be criminal sanctions against the disclosure of Cabinet documents, "irrespective of their content and security classification."

Mr. Rees and Franks, however, were talking the same language. They put the emphasis on government's rights to with*hold information and to prose*cute if information were to be disclosed in an unauthorised manner, *rather than on the* public's right to know. Since that statement of November, 1976, there has been very little Government comment on the subject until the Parliamentary answer this week. There is still *no reason* to believe that the emphasis has much changed. At the most, the Government thinks that more information should be released on a discretionary basis; it does not believe that disclosure should become the norm.

Access

Those campaigning for more radical reform start the other way round. The purpose of an Official Information Act, they *say, should be to lay down the* basic principle that official information is available to the public. The Act would also outline what sort of information might be exempt and it would establish machinery to put the principle of access to information into effect:

The Liberals, Labour's NEC sub-committee and the Outer Circle Policy Unit all broadly agree with the above: where they disagree is about the scope of the Bill and, to some extent, about *sanctions*. *The Policy* Unit, a body financed by the *Rowntree Social Service Trust*, has already drawn up its own draft. It is radical enough in a number of ways, especially *in its proposal* that Cabinet papers should remain confidential *for only five years instead of the present 30*. But, in general, it confines its attention to central government and *it is not strong on penalties for* officials who still try to keep things secret.

As might be expected, the NEC *subcommittee* goes further. It would like the Act to apply to all public bodies including, *for instance, local* authorities, nationalised industries and the universities, and it would insist that any official caught classifying information that could be made public *should be punished*.

The Policy Unit's draft is currently being revised following *exposure to a group of* politicians, academics, social reformers and journalists at a *conference last week-end*. It should be published around the same time as the Government's *White Paper: so should the* Liberals' proposals. What will happen to the NEC sub*committee document, however*, is less certain. In theory, the aim is to make it part of the *next Labour election manifesto*, though that seems unlikely to be achieved since Mr. Callaghan has yet to be *fully* converted to the idea of open government.

It is a subject of which we shall hear more and it cuts across conventional left and right wing divisions. For instance, it is perfectly possible to make a right wing case for reform on the grounds that government now demands so *much information from the pub*lic that it ought to give something in return. The Employment *Protection Act is just one ex*ample of government having established the right to know *more and more. Planning agree*ments between companies and government would be another.

At the same time, the case for reform by analogy with what happens in other countries is strong. Sweden has been steadily extending the public's right to know since the Freedom of the *Press Act* was incorporated in the constitution. The *U.S. now has a Freedom of In*formation Act and France has been moving in a similar direc*tion. It would be hard to argue* that any of those countries are conspicuously less well-run than *ours as a result.*

And yet it is also a subject that ought not to be left to the *pressure groups. After all, if* Parliament and the Press had had their wits about them in the summer of 1911, we should not be in our present unsatisfactory position.

Malcolm Rutherford

ADMIRALS OF THE "PACIFIC."

German Emperor: "A STRONG FLEET IS THE BEST GUARANTEE OF PEACE!" M. Fallieres, President of France: "QUITE SO! TO MAKE A CERTAINTY OF IT, HERE IS OUR CONTRIBUTION."

A contemporary Punch cartoon on the Agadir crisis of 1911, when Germany tried to challenge French rights in Morocco *by sending a warship to the port—one of the events which* distracted the attention of the Press from the 1911 Official Secrets Bill.

Letters to the Editor

Electoral reforms

From the Director, The Electoral Reform Society.

Sir,—Electoral reformers who have allowed themselves to be *seduced by the West German* system should take warning from the provincial election results just announced.

The Ecologists have polled well for a new party. They have achieved valuable publicity; they seem to have impressed the *established parties* with a need to pay some attention to their views. But is this reflected in seats won? On the contrary.

The Ecologists appear to have taken votes mainly from the Free Democrats, so it must be presumed that this latter party contains the largest proportion of ecology sympathisers. But what has happened to the seats? The Ecologists have got none themselves and have deprived the FDP of the seats it had—by reducing its votes below the 5 per cent threshold.

If the Lower Saxony and Hamburg voters had been using the single transferable vote, which aims at giving expression to the voters' opinions, whatever they may be, instead of treating party as the one thing that matters, then (a) Ecologists would have had no need to stand as a separate party, since they *could have achieved* more by giving preference to ecology-minded candidates within any or all of the established parties, and (b) if they had formed a separate party it would *not have* deprived their nearest allies of representation, since its supporters, if failing to win a seat themselves, could have transferred *their votes* to FPD candidates or other sympathisers and vice versa.

Enid Lakeman.
6, Chancel Street, SE1.

Management & consultation

From the Managing Director, Rouston Ridgeway

Sir,—Mr. Coke-Wallis in his letter (May 30) Consulting in Companies, *has drawn* attention to the pressing need to develop means of consultation and offered four ingredients for the successful development of employee *involvement*—new consultative structures—clear terms of reference to define "legitimacy"—task areas for discussion—compatibility with existing climate of relationships.

As an approach to organise better communications, it is not likely to produce new opportunities for managers and managed to get on to a more co-operative and creative relationship. It becomes largely sterile by the nature of its strictures on what is *to be recognised* as legitimate, and the injunction that new departures must be compatible with existing attitudes, "mores" and history.

The truth of the matter is *management* has a revolution in progress. Power is being substantially wrested from its *grip*. Many more managers are yet to come face to face with the reality of this *condition*. The topmost managers are now in pursuit of new resources to allow the management *of* all the company resources to be used productively.

The answer to the problem of consultation may well lie in improving the environment of the *business*. People behave in a spirit of co-operation or belligerence as a *result* of attitudes *struck* by individuals throughout the organisation. The general nature of *these disposi*tions is determined by the attitudes of those at the very top of the tree. *In most* organisations the atmosphere does not allow consultation, formal and informal, *to* flourish and produce growth. In many companies the environment is positively alien to understanding and co-opera*tion*.

Get the ecology of management in a healthy state and people will co-operate as a natural response to healthy con*ditions and there will be no need* to make the adjustments suggested by Mr. Coke-Wallis. Let there be a concerted action to get on with creating new wealth instead of organising more layers of non-people communication.

John Ball.
Kent House,
57, Regent Street, W1.

The European snake

From Mr. W. Grey

Sir,—At next month's Western economic summit conference in Bonn, Britain's interest, broadly speaking, will be in concerted action for faster growth combined with greater currency stability, Germany's (as underlined by your "Bonn's price for a package" leader of June 7) in concerted action for greater currency stability combined with faster growth—a distinction, one might argue, without much of a difference.

It can be readily reconciled, moreover, by one small step which has already been overlong in the making—a decision by Britain to rejoin the European currency snake. Besides *being* in the German interest, which has provided the snake's backbone all along, this would above all be in Britain's own. Entail*ing rights and responsibilities in* equal measure, it would provide that very stiffening of *Britain's* hard-won resolve to refrain from self-indulgence which her *gradual release from the IMF's* leading strings and her *new* found (and potentially embarrassing) North Sea oil riches both require.

Apart from advertising the fact that Britain now, at long last, means business, such a *move* would also demonstrate, perhaps more effectively than anything else, that she and her European partners (who, it seems, are quite happy *to shoulder* their extra share of the burden) are finally resolved, with *the help* of the added impetus to economic convergence (and hence ultimately *faster and more uniform* growth) which keeping their currencies *in line with each other* will generate, to make a real go of their joint enterprise.

W. Grey.
12, Arden Road, N3.

In the public interest

From Mr. Alan D. Roper.

Sir,—I have noticed that in various *Press reports reference* has been made to Mr. Whatsisname (alias Mr. Francis Reynolds) who has attempted to circumvent the so-called solicitor's monopoly in conveyancing. Proceedings were, of course, successfully brought by the Law Society in this case and unfortunately *reports* of the proceedings contained implications that solicitors, through the Law Society, are solely concerned with protecting their own interests.

Does it not occur to people that the Law Society, in bringing the prosecutions, is chiefly *concerned* with protecting the public interest? The Law Society is not just the solicitors' trade union but it is a controlling body which in the public interest regulates solicitors, tests them for ability, requires solicitors to be covered by central negligence insurance *and* expels solicitors for professional misconduct. Here lies the protection for the public which unenlightened critics are seeking to whittle away.

If the unqualified practitioners against whom the prosecutions are brought wish to carry out conveyancing on behalf of the public, why do they not demon*strate that* they are fit and proper persons to do so by qualifying as solicitors? There would not then be any problem for them and they, along with all *other solicitors, would* then find that they were subject to the strict controls which are there in the public interest. They would then incidentally find that they would also be involved in the substantial additional overheads affecting solicitors (and *which is a reason why solicitors'* charges are higher) of having to maintain out of the fees the very high premiums of the compulsory professional indemnity insurance and *subscriptions* to the controlling body.

It is about time that people woke up to the fact that the so-called monopoly is in the public interest and affords them the full protection which they both deserve and need in matters which are *of major importance* to them and involve many legal pitfalls.

Further, the implication that solicitors make too much money *from* conveyancing is not borne out by the facts as the recently published survey has quite *clearly revealed that the median* professional income of solicitors is substantially below that of doctors and dentists in private practice (even before their *recent announced increases*) and also below that of various other professions.

Alan D. Roper.
Court Chambers,
3, Victoria Street,
St. Albans, Herts.

The missing workers

From the Chairman, G. N. Burgess Holdings

Sir,—Recent news on the now reported shortage of skilled staff for business, must *ring rather* hollow in the ears of the engineering industry based in the Southern Counties.

We have had no skilled *workers available* to add to our own home raised staff for 10 to 15 years. We tried a development area subsidiary factory, at Ministry suggestion, which I am afraid ran us very close to failure, then set out to rebuild our fortunes here.

I find the present situation beyond my understanding. We read of plant closures up and down the country. We have many vacancies, but one which has been widely circulated for a machine shop foreman/setter, carries a *company house plus* top salary. No interviewees have been prouduced!

G. N. Burgess.
Hanworth Trading Estate,
Feltham, Middlesex.

Board room politics

From the Managing Director, Ores International.

Sir, — Your correspondent Bryan Cassidy made a good point when he pointed out that too many British board appointments are made not on merit but *as a reward for playing board* room political games (May 31).

He might also have made the point that because the boards of British companies have been so *slow* to adapt themselves to changing conditions, they are now about to be forced to do so *by legislation*. The Continental example of the two-tier board system would in any case be imposed upon us by the EEC soon enough.

The advantage of the two-tier board system is that it allows the shareholders to draw upon a wide spectrum of *outside know*ledge and experience by appointing to the supervisory board non-executive directors from outside. It is also a mechanism well adapted to absorb "worker directors."

British companies unfortunately suffer too much from the lack of fresh thinking and new ideas injected into them at *board level*. Generally, by the time a man has made his way on to the board of a large British corporation, he has become conditioned not to rock the boat by introducing new ideas. In that lies the essential weakness of British industry.

M. I. Webb-Bowen.
35-39, Maddox Street, W1.

Design in industry

From Mr. Richard Lewis

Sir,—With an occupational interest *in the subject stimu*lated by your recent survey of Design in Industry (May 31) I am awed by the promptness with which Leyland Vehicles has provided us with a *prime* example of design insensitiveness.

I refer to the agricultural tractor hugely pictured in Leyland's advertisement on Page 8 of your issue today (June 7) From snorkel exhaust pipe (*surely in a position detrimental* to both a driver's vision and lungs?) to art nouveau bonnet *married* to a cabin which appears to have escaped from a biscuit box *factory*, not to mention tatty foot-step and equally tatty tool-box with (loseable?) padlock, this British engineering product is an urgent case for treatment.

It was a relief to learn from the copy that Leyland Vehicles are *now planning to invest* "over £130m. in new *research*, development, and manufacturing facilities." It would have been a greater relief to have seen the *word* "design" included in the programme.

Richard *Lewis.*
11, Priory Crescent,
Lewes, Sussex.

Numbers of unions

From the General Secretary, Engineers' and Managers' Association

Sir,—I realise that the correspondence between Mr. Mortimer and myself cannot go *on indefinitely in your columns*, but may I reply to his letter of June 1?

Whatever the ACAS definition may be of a representation *agreement* there is a *crucial* distinction between an agreement under which a union can only represent its members, and one in which it can represent all the staff in a bargaining *unit*. British Shipbuilders certainly understood the distinction when they made it in their agreements with the CSEU. Mr. Mortimer chooses to continue not to do so. Your *readers* will draw their own conclusions.

Mr. Mortimer says I favour "further fragmentation of trade union representation." Mr. *Mortimer is quite unable to sub*stantiate that allegation. In industry at large professional and managerial staff in the main neither belong to unions nor are they covered by recognition agreements. If they choose the EMA to represent them, only a Humpty Dumpty can call this "fragmentation of trade union representation" with a straight face. (*Mr. Mortimer should* remember what happened to Humpty Dumpty.)

*The attitude of ACAS as repre*sented in Mr. Mortimer's letter will be profoundly worrying to *many people*. Not the least cause of concern is that although ACAS has a *semi-judicial function* it seems to me that Mr. Mortimer has effectively prejudged several *Section 11 references which* ACAS is currently meant to be considering objectively.

J. Lyons.
Station House,
Fox Lane North,
Chertsey, Surrey.

Today's Events

GENERAL

Building Societies meet to discuss investors' and borrowers' *interest rates.*

Mr. Malcolm Fraser, Prime Minister of *Australia, in talks with* Mr. James Callaghan, Downing Street.

Mass meeting of workers at Bank of England note-making *factory, Loughton, Essex, on* failure of peace talks between *print union and Bank officials.*

Talks resume between employers and fire service union officials on proposals for shorter working week.

Burmah Shareholders Action Group meeting in Glasgow—proposal to call for disclosure of documents by Burmah Oil Board.

Dr. *David* Owen, Foreign Secretary, speaks at public meeting, St. Peter's Civic Hall, Carmarthen, 10.30 *a.m.*

Mr. Morarji Desai, Indian Prime *Minister*, addresses United Nations special session on disarmament, New York.

Mr. Huang Hua, China's Foreign Minister, in talks with Dutch *Government, The Hague.*

Mr. Victor Garland, Australian *Minister for Special Trade Repre*sentation, continues talks on EEC trade, Brussels.

Dr. Willibald Pahr, Austrian Foreign Minister, and Mr. Guenter Haiden, Agriculture Minister, end talks in Brussels on exports to EEC.

Last day of visit by French President Valery Giscard d'Estaing to Corsica.

Sir John Methven, director general, Confederation of British Industry, at CBI South Regional *Council luncheon, Phyllis Court* Club, Henley-on-Thames.

Conservative Party in Wales conference, Pier Pavilion, Llandudno.

Government to simulate major oil tanker accident at Milford *Haven, Dyfed.*

Prince Charles officially opens £100m Gatwick Airport development.

Lord Mayor of London presides at Mansion House Justice Room, 10 30 am.

PARLIAMENTARY BUSINESS

House of Commons: Remaining *stages of Suppression of Terrorism* Bill (Lords). Remaining stages of Judicature (Northern Ireland) Bill (Lords). Motion on EEC documents on *liner* conferences. Motion on Church of England (Miscellaneous Provisions) Measure.

House of Lords: Home Purchase *Assistance and Housing Corpora*tion Guarantee Bill, second reading. *Transport Bill, second read*ing. Domestic Proceedings and Magistrates Court Bill.

OFFICIAL STATISTICS

Central Government financial *transactions (including borrowing* requirement) (May).

COMPANY MEETINGS

Coates Bros., Stationer's Hall Court, EC, 2.30. J. J. Dewhirst Holdings, York, 12. Electrical and Industrial Securities, Brewer's Hall, EC, 12. *Higgs and Hill*, Waldorf Hotel, 12.15. Leyland Paint and Wallpaper, Leyland, 2.30. Northern Engineering Industries, Newcastle upon Tyne, 12. Sanderson Kayser, Sheffield, 12.

COMPANY NEWS + COMMENT

Static last half holds back 600 group

WITH PROFITABILITY static in the second six months, the 600 Group ended the year to March 31, 1978, at £11.21m pre-tax, compared with £10.63m last time. External sales fell from £180.42m to £175.22m.

At half-time, when reporting higher profit of £5.44m against £4.81m, the directors said they expected to at least maintain the overall level of results for the year.

A divisional anlysis of full-year turnover and trading profit shows (in £000s): iron and steel products and services £85,940 (£102,170) and £913 (£3,186), machine tools £61,096 (£51,350) and £6,911 (£4,566) and other engineering products and services £28,184 (£26,904) and £3,589 (£2,626).

Extraordinary debits came to £254,000 (£36,000 credits) and mainly comprise the net adjustment arising from re-alignments in current values attributable to fixed assets and on inter-company loan accounts amounting to a £299,000 loss (£102,000 gain).

Earnings before extraordinary items are shown as 11.6 (10.3p) per 25p share. A final dividend of 2.23p lifts the total payment from 3.6845p to 4.08p net, although an additional 0.0346p is to be paid should ACT be reduced.

	1977-78 £000	1976-77 £000
External sales	175,220	180,424
Operating profit	15,167	14,611
Depreciation	2,302	2,170
Interest charges	1,448	2,037
Trading profit	11,413	10,378
Associate loss	199	*250
Profit before tax	**11,214**	**10,628**
Taxation	5,792	5,721
Net profit	5,422	4,907
Minorities	105	377
Extraord debits	254	†36
Attributable	5,063	4,562
Preference dividends	93	97
Ordinary dividends	1,852	1,647
Retained	3,118	2,826

* Profit. † Credits.

● comment

Profits at the 600 Group are only 5.5 per cent ahead but the impressive contributions from machine tools and engineering products have more than made up for the vastly reduced return from iron and steel products. Profits from the latter slumped from £3.19m to £0.91m due largely to widespread lack of demand and a severe drop in the price of scrap. The general picture here is bleak but the group's steel stockholders are trying to concentrate on higher margin products. Profits from the expanding machine tools side rose 51 per cent and new developments are planned in this division which should boost earnings in 1979-80. Meanwhile engineering products, which contributed 16 per cent of total group sales, were bolstered by impressive growth in crane manufacturing and plant hire services. The contribution of overseas companies is included in divisional figures but foreign markets are important to the group with exports taking about 65 per cent. of manufacturing company sales. At 80p the shares stand on a P/E of 6.7 and yield just under 8 per cent.

HIGHLIGHTS

Lex concentrates on the economic package from the Chancellor and its implications for gilts and interest rates. On the company news front **Grand Metropolitan's** figures are a mixture of swings and roundabouts with pre-interest profits up by a tenth, though at the pre-tax level the gain is a far more impressive 59 per cent. Finally Lex takes a look at the rights issues from **Securicor** and its subsidiary **Security Services.** Elsewhere, record full year figures from **Guthrie** disguise a weak fourth quarter. **Electronic Rentals'** figures look reasonable enough though the market appeared to be going for more, while a depressed second half at **UKO International** took its toll on the shares. **Hickson and Welch's** figures were well down and the advance by the **600 Group** is only 5½ per cent. **Armitage Shanks** is in line with market expectations with profits up 8 per cent.

Triefus rises to £0.63m

WITH SECOND HALF profits ahead from £352,797 to £399,297 Triefus and Co. reached a peak £630,685 pre-tax for 1977, compared with £500,303 in 1976.

Tax takes £351,834 (£271,321) and attributable profit emerged up from £191,313 to £244,047. The net dividend is effectively raised to 2.2252p (2.0229p) per 25p share. A one-for-five scrip issue is also proposed.

Airflow earns and pays more

GROWTH AT Airflow Streamlines slowed in the second-half of the year to February 28, 1978, and, after a £240,000 advance to £436,000 at half-way, the full year finished £274,003 higher at £910,435. Turnover for the 12 months improved from £7.69m to £10.91m.

The directors report that in the manufacturing division the high level of demand experienced in the first-half did not continue through to the year end. However, a satisfactory result was achieved. The motor division maintained its progress throughout the year.

Earnings per 25p share are shown to have risen from 17.24p to 23.10p and the final dividend is 3.66p net for a 4.91p (4.4307p) total. In addition holders are to receive, by way of scrip, one 10 per cent cum. pref. share of £1 for every five ordinary shares held. A one-for-one ordinary scrip is also proposed.

After tax of £261,859 (£102,494) the net balance emerges at £648,596 (£443,896), and with dividends costing £127,749 (£113,309) the retained profit is £520,847 (£330,587).

On prospects the directors say that a satisfactory result is expected for the current year.

An independent professional valuation of freehold and long leasehold land and buildings was carried out as at February 28, 1978. This threw up a £923,436 surplus over book value which has been transferred to reserves.

Lombard North trebles

DUE LARGELY to the profit growth of its credit finance business in the UK, where lower interest rates had a significant influence, Lombard North Central, a subsidiary of National Westminster Bank, trebled pre-tax profits to £9.87m in the six months to March 31, 1978.

However, higher interest rates now prevailing will have some adverse effect on second-half profits, the directors warn. Profit for the last full year totalled £11.73m.

Overseas, particularly in Australia, difficult economic conditions and continuing high interest rates together created circumstances in which Lombard Australia produced lower first-half profits.

	Six months 1977-78 £000	1976-77 £000
Profit before tax	**9,868**	**3,288**
Tax	4,840	1,934
Net profit	5,028	1,354
Minorities	233	112
Pref. divs.	48	48
Extraordinary debits	*361	†602
Attributable to ord.	4,366	1,776

*Net loss of £32,000 arising on disposal of properties and a provision of £309,000 for the diminution in value of one freehold property in Australia. †Credits.

Some benefit from the substantial volume of new business transacted last year was derived and as all sections of the business have continued to be buoyant, and turnover particularly finance for industry has continued to increase, the profit of subsequent periods will benefit, the directors state.

Armitage Shanks fall in earnings

EXCEPTIONAL non-recurring costs and substantially heavier tax have hit the earnings of **Armitage Shanks.** For the year ended April 1, 1978, they are down from 7.31p to 6.57p per 25p share, before taking into account exchange differences.

Termination and reorganisation of certain uneconomic activities have given rise to exceptional non-recurring costs of some £300,000. Despite this, the profit before tax shows a £178,000 rise to £2.48m.

But after tax of £1.03m, compared with £719,000, the net profit is £133,000 lower at £1.45m. The higher tax follows the arrest in the increase in stock holdings in the UK and the corresponding reduction in the tax relief available.

Following disappointing results for the first quarter, trade in the UK improved, although in competitive conditions which kept margins under pressure, the directors explain.

They say that this, together with a sharp decline in profits of the group's Australian subsidiary, limited profits growth.

Exports increased by 44 per cent to over £7m during the year.

The final dividend is 2.32p for a total of 4.3p (4.2348p).

The company makes sanitary pottery, metal fittings and plastic mouldings.

● comment

Pre-tax profits up 8 per cent at **Armitage Shanks** were just about in line with market expectations and reflect a steady second half improvement after the poor first quarter. Overall, margins have been under extreme pressure given the stiff competition and sensitivity to volume, although in the main ceramics and sanitaryware side, they are still just ahead of the previous year. Profits, meanwhile, have been depressed by the £300,000 re-organisation costs. The company's timber and architectural joinery interests have been stripped out and existing facilities will be used to manufacture bathroom furniture. The overseas companies, which together with exports contribute £14m to sales, have been hit by a sizeable turnround to losses in the Australian subsidiary. But the current year has started well in the main markets and given the boom in home improvements—more important to the company than housing starts—Armitage will be aiming for at least £3m this time. At 65½p the shares stand on a p/e of just under 10 and yield 10.2 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Airflow Streamlines	3.66	July 19	3.3	4.91	4.45
Anglo-Indonesian	2.75	Aug. 30	2.5	2.75	2.5
Anglo-Trans. Cons.	90	Aug. 3	80	115	105
Anglo-Trans. Inds.	20	Aug. 3	19	20	19
Armitage Shanks	2.32	Oct. 2	2.28	4.3	4.23
Brown Shipley	5.26	—	4.79	9.26	8.37
Buckley's Brew.	1.24	July 7	1.13	1.79	1.68
Burco Dean ...int.	1.68	Aug. 9	1.5	—	3.72
Chesterfld. Props. 2nd int.	‡—	Aug. 11	2.92	—	3.62
Cullen's Stores	3	Aug. 11	3.2	4.32	4.5
Dartmouth Invs.	0.41	July 29	0.37	0.81	0.73
Dundonian	†1.13	—	0.94	2.13	1.94
Electra Invs.	3.5	July 31	2.8	5	4.3
Electronic Rentals	¶3	July 28	1.45	5	2.39
Elsburg	‖5.2	Aug. 4	3.9	—	8.45
Grand Metropolitan ...int.	1.75	Oct. 23	1.6	—	4.25
Guthrie	9	July 21	6	15	10
Hickson and Welch ..int.	1.33	Aug. 31	*1.21	—	*3.46
Leigh Interests	2.33	July 27	0.31	3.63	0.98
Middle Wits	‖15	Aug. 3	12.5	25	22.5
Randfontein	‖200	Aug. 4	150	—	350
Sentrust	‖18	Aug. 25	18	30	28
600 Group	2.23	July 28	2	§—	3.68
Triefus	2.23	July 18	2.02	2.23	2.02
Uko Intnl.	5.87	—	5.33	8.8	8
Western Areas	‖8	Aug. 4	6	—	13

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and or acquisition issues. ‡ 4p if dividend restraint lifted. If not 2.245p at current tax or 2.27903p at 33 per cent ACT. § Intend to pay dividend 0.0346p on reduction of ACT making 4.1146p total. ¶ Treasury approved. ‖ South African cents throughout.

Midway fall by Hickson & Welch

ALTHOUGH TURNOVER was better at £34.63m against £32.25m, taxable profit of Hickson and Welch (Holdings) dropped from £4.89m to £3.74m for the half year to March 31, 1978. For the whole of the previous year, a record £10.14m was achieved.

After tax of £1.07m (£1.37m) and minorities of £2,000 last time, available ordinary earnings emerged as £2.67m (£3.52m). Stated earnings per 50p share are down from an adjusted 18.17p to 13.79p and the interim dividend is effectively raised to 1.33p (1.21p) net—last year's final was 2.24886p adjusted for a two-for-one scrip issue.

The group's business is in chemicals, timber products and building materials.

	1978 £000	1977 £000
Turnover	34,634	32,249
Operating profit	3,714	4,798
Interest payable	153	230
Investment, etc., income	159	254
Associates profits	70	50
Profit before tax	**3,740**	**4,885**
Taxation	1,069	1,365
Minority interests	—	2
Preference dividend	3	3
Earnings ordinary	2,668	3,517
Ordinary dividend	257	274
To reserves	2,411	3,251

● comment

Hickson's results—profits 23 per cent lower—was in line with market and internal expectations. In the first half it has felt the full impact of the chemical industry recession and the upward movement in the pound. Indications from the chemical giants in recent weeks that trading conditions have bottomed out together with a slight weakening in the pound should help second half figures. Analysts are anticipating a full year figure around £8.2m before tax. The share price, at 208p, has been buoyed by takeover rumours and by the strong dividend cover, and these two factors are likely to be the main influence on the shares in the short-term. Taking a line from the interim tax rate the p/e is 6.8 and the yield is 2.8 per cent, covered almost eight times by estimated net earnings.

Problems to continue at Francis Shaw

It is inevitable that the problems at Francis Shaw and Co. will continue in 1978, Mr. L. J. Tolley the chairman, says in his statement with accounts.

He says the company is operating in a thoroughly depressed capital investment climate in its traditional western world markets, and although business continues to be available from eastern Europe, it is highly competitive because of low activity in all manufacturing nations and its profitability is somewhat illusory.

But he is sure opportunities will be taken to maintain the factory work flow and to achieve improved profits.

The group ended 1977 on a low note with order balances reduced and new orders difficult to find.

Factories will in the main be busy until late in the year, but with new contracts not yet forthcoming the group shall almost certainly slow down, with consequential effects on employment levels and its performance.

In 1977 pre-tax profit of the rubber, plastics and cables machinery maker dipped from £432,360 to £377,062. At year end net current assets were up from £2.01m to £2.74m, and group fixed assets were £1.05m (£0.91m).

Brown Shipley improves

FOR THE year to March 31, 1978, banking group profits of Brown Shipley Holdings advanced from £1.06m to £1.31m, after tax and transfer to inner reserve.

Net trading profit of £1.69m (£1.48m) includes parent company profit of £39,000 (£2,000 loss) and profit of insurance group £796,000 (£890,000) after £452,000 (£464,000) tax thereon. The retained balance was £1.18m (£1.03m).

The net final dividend is 5.264p for a 9.264p (8.3675p) total. If tax rate is reduced the directors intend to maintain the gross total, payable with the interim in respect of the current year.

EDINBURGH ALLOTMENTS

The City of Edinburgh District Council's issue of £25m of variable stock closed yesterday morning oversubscribed.

Applications for up to and including £50,000 of stock are allotted in full. Applications for £55,000 to £100,000 receive £50,000 and thereafter applicants receive approximately 35¼ per cent of their application.

Brokers to the issue were R. Nivison.

LONRHO

Lonrho's joint auditors yesterday rejected the suggestion in some quarters that the treatment of House of Fraser as an associate in the half year results was questionable.

Peat Marwick Mitchell and Mann Judd said that in their opinion, the treatment "is in accordance with established accounting practice."

ISSUE NEWS

Double rights from Securicor companies

In a double rights issue Securicor and its subsidiary Security Services are raising £5.39m from shareholders.

Security Services the operating area of the group is proposing an issue to raise £4.73m with a rights issue of one ordinary share and one "A" non-voting share for every six ordinary or "A" shares.

Securicor's rights issue is less demanding. The terms of that offer are one ordinary share and one "A" share for every 35 ordinary or "A" shares held. There is also an offer of 1.35 ordinary or "A" shares for every 10 cumulative participating preference shares. This issue will raise some £658,000.

The Securicor Group, which owns about 52 per cent of Security Services, has indicated that it will take up its full entitlement under the rights issue.

The Erskine family and directors of Securicor which have a controlling interest in the parent company are expected to take up the rights in full, which is partly being raised to help finance the cost of taking up the Security Services rights issue.

The reasons given for the issues are based upon the expanding parcel security service and fairly hefty capital expenditure this year. Without the rights there would be a shortfall between cash flow and capital commitments.

Security Services announces estimates for pre-tax profits for the half year to March 31, 1978, of £2.1m (£1.74m) and the directors indicate that profits are continuing at satisfactory levels.

In the absence of unforeseen circumstances they intend to pay total dividends of 3.5p per share or 5.303p gross—an increase of about 75 per cent.

Meantime the directors estimate that pre-tax profits for Securicor for the same period will be £2.4m (£1.97m). Total dividends of 3.7879p will be paid which represents an even bigger increase, of 100 per cent.

Cazenove has underwritten the issues and dealings are expected to start on June 27.

See Lex

Brooke Tool

As foreshadowed yesterday Brooke Tool Engineering (Holdings) is raising £370,000 by a rights issue of three-for-five at 28p each.

Along with the rights issue comes interim figures showing pre-tax profits for the half year to March 31 more than doubled at £120,800 compared with £52,300. The directors are paying an interim dividend of 1.1p per share and are forecasting a total for the year of 3.75p.

Since 1975 the company has achieved a significant turn-round into profits from the losses of previous years. Turnover for the latest half year is up from £2.36m to £2.57m.

The directors state that the level of orders placed with the group has continued to increase and provided that there is no worsening of the economic climate they are confident that trading to September 1978 will continue to improve.

Further to the rights issue the directors comment that the group has shown a significant reduction in the level of debt. Though they are confident that they are able to finance the anticipated increase in trading from existing facilities it is the intention to develop new product areas which will require additional finance.

The issue is underwritten by E. B. Savory Milln. An EGM is called for June 27.

European recovery likely to be slow at Ever Ready

THE PORTABLE energy business is likely to continue as a growth industry, although Ever Ready Company (Holdings) will experience short term problems in some markets and the recovery of profitability in Europe is likely to be slow, Mr. Lawrence W. Orchard, the chairman, says in his annual review.

He says that in the UK export orders for batteries remain buoyant, coupled with increasing demand for torches and other portable lighting equipment.

Additional capacity at Chemical and Carbon Products is expected to come on stream in later this year, while action is being taken to improve the rate of return at Ever Ready (Special Batteries).

J. A. Crabtree and Co. is expected to show a meaningful improvement in profitability this year while C. M. Churchouse is not expected to do more than break even in the first six months.

At Electro Formers, directors anticipate some difficulties owing to battery component changes that will emerge later this year. While replacement business with other products it manufactures is being vigorously promoted the future seems "a little uncertain," Mr. Orchard says.

In Europe the sales investment programme designed to further secure the group's market position began last year, and a sales company got underway in Holland. Other countries will receive "similar treatment" this year.

In Nigeria a good start has been made to the current year, Mr. Orchard says the Government under its indigenisation scheme has yet to accept arrangements put forward by the company to "properly preserve the essence of the company."

Ever Ready proposes to change its name to Berec Group, and intends promoting the Berec trade mark to the eventual exclusion of all others. Ever Ready can only use the Ever Ready trade mark in Europe and certain southern African countries. Berec has been used internationally for some years.

As reported, profit for the February 25 year fell from £29.04m to £25.39m, and during the year goodwill of £7.41m was written off against reserves.

At year-end fixed assets were £49.8m (£47.95m) and net current assets £80.27m (£80.96m), with short term deposits up from £11.75m to £29.48m. There was a £15.7m (£1.18m) increase in net liquid funds leading to net funds of £10.4m (£6.4m net borrowings).

IN BRIEF

ABERDEEN INVESTMENTS—Results to March 31, 1978, reported May 9. Further progress forecast for 1978-79. Listed investments: UK £1.15m (£0.92m), overseas £15,945 (£20,078), unquoted £2,324 (£2,108). Net current assets £89,737 (£114,157). Meeting, Aberdeen, June 27, at noon.

BLOCKLEYS (brick manufacturer)—Results for 1977 reported May 18. Net current assets £1.04m (£0.72m), fixed assets £1.41m (£1.43m). Meeting, Telford, June 29, at noon.

JOHN FOLKES HEFO—Results reported May 18. Fixed assets £10.15m (£8.89m), net current assets £7.72m (£7.84m). Remaining £0.95m of goodwill written off. Meeting, Birmingham June 29 at noon.

HEADLAM, SIMS AND COGGINS (footwear)—Results for year to January 31, 1978, reported May 18. Group fixed assets £306,957 (£148,029) net current assets £842,915 (£589,113). Net liquid funds decreased by £24,165 (£94,125). Company expects to make further gains this year with related improvement in dividend if legislation permits. Meeting, 5, Albemarle Street, W, June 30, at 11 am.

LONDON ATLANTIC INVESTMENT TRUST—Results to March 31, 1978 previously reported. Listed investments UK £7.13m (£5.83m), overseas £1.36m (£1.46m) unlisted £0.27m (£0.27m). Net current assets £0.51m (£0.17m). Finance for industry the ultimate holding company. Meeting, Waterloo Road, SE, June 29 at 12.30 pm.

MELVILLE, DUNDAS AND WHITSON (contracting, housebuilding and property investment)—Results for 1977 reported April 25. Group fixed assets £2.17m (£1.9m), net current assets £1.44m (£1.32m). Net liquidity down £1.39m (up [illegible]). Directors intend to seek further involvement in areas of potential growth other than construction. Meeting, Glasgow, June 30, noon.

QUEENS MOAT HOUSES—Results previously reported. Fixed assets £3.7m (£3.75m), current assets £0.83m (£0.96m), current liabilities [illegible]. Directors confident for the future. Meeting, St. Albans, July 4, at noon.

TRANSATLANTIC AND GENERAL INVESTMENTS—Results for year ended March 31, 1978 already known. Investments [illegible]. Net current assets [illegible]. Bank balances and short-term deposits [illegible], bank overdraft nil [illegible]. Meeting, Three Quays, EC, June 28 at 2.35 pm.

SCOTTISH ONTARIO INVESTMENT COMPANY—Results already known. UK investments [illegible], overseas [illegible], unquoted [illegible]. Net current assets [illegible]. Meeting, Edinburgh, June 30 12.30 pm.

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Grand Metropolitan £16m rise midway

IN SPITE of special influences, trading profit of Grand Metropolitan improved by 12 per cent in the half-year ended March 31, 1978, and after greatly reduced interest profit before tax expanded from £27.16m to £43.15m.

Mr. Maxwell Joseph, chairman, reports that there have been signs of increased consumer spending in the main trading areas since Christmas, although the bad weather during February and March had an adverse effect. The relative strength of sterling reduced both the rate of profit on exports of whisky and the sterling figures for overseas profits.

The hotel, social club, brewing and wines and spirits operations in the UK did particularly well. The improved results for milk and food began in the second half of last year and arise to a large extent from factors outside the trade in liquid milk and milk based commodities.

Interest charges were reduced by £10m to £17.85m by the conversion of over 94 per cent of the 10 per cent convertible stock and by lower interest rates, resulting in a substantial increase in interest cover.

	Half year 1977-78 £000	1976-77 £000
External sales	856,462	765,928
Hotels, entertainment	217,506	194,522
Milk and food	177,385	174,123
Brewing, distribution	183,962	158,403
Wines, spirits	178,946	163,059
Betting, gaming	98,763	75,821
Trading profit	59,713	53,342
Hotels, entertainment	18,198	16,160
Milk and food	8,166	6,052
Brewing, distribution	16,922	15,327
Wines, spirits	11,740	11,532
Betting, gaming	4,695	4,331
Associates profits	1,297	1,669
Profit before interest	61,010	55,011
Interest paid	17,855	27,851
Profit before tax	43,155	27,160
Taxation	22,179	14,125
Minority	387	33
Preference divs.	240	240
Attributable ord.	20,406	12,762

Mr. Joseph is confident that progress in recent years will be maintained during the remainder of the current year. Many parts of the business offer major scope for growth and new development and he anticipates that capital expenditure on projects of this type will increase substantially in the next two or three years.

The tax charge has been estimated on the basis that UK corporation tax will be at 52 per cent and includes overseas tax of £1,219,000 (£988,000). If the basis proposed by ED19 had been adopted the charge for tax would have been reduced by about £7.2m (£6.5m).

It is estimated that net extraordinary charges for the half-year amount to about £3.9m. These are mainly exchange differences arising from the weakness of the Canadian dollar and the strength of the Swiss franc at March 31, 1978. Approximately £23m of Swiss franc borowings are being refinanced in other currencies and sterling on June 15, 1978.

The interim dividend is being raised from 1.6p to 1.75p net per 50p share; this will cost £7.73m (£4.85m). Last year the total dividend was 4.2473p paid from pre-tax profits of £77.7m.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Camford Engineering, Thomas W. Ward.

Finals: Bishop's Stores, Carding, Fairdale Textiles, Farm Feed, Finance and Industrial Trust, Geers Gross, Thomas Locker, Streeters of Godalming.

FUTURE DATES

Interims:	
Lookers	June 22
Finals:	
Alliance Investment	June 14
Alpine Soft Drinks	June 15
Butterfield-Harvey	July 19
Crest Nicholson	June 22
Ferguson Industrial	June 16
Golden (C.) Foucard	June 14
Highgate and Job	June 15
International Timber	June 15
Sheepbridge Engineering	June 22
West Bromwich Spring	June 12

UKO fall in second half

SECOND HALF pre-tax profits of UKO International, manufacturer of ophthalmic lenses and spectacle frames, fell from £2.38m to £1.44m, and the group finished the full year to March 31, 1978, down from a peak of £4.17m to £3.34m. Turnover rose by over £6m to £39.8m.

The directors state that results were below expectations. Ophthalmic sales, after adjusting for acquisition and price increases, were lower both in the home market and especially overseas, they add. And they say the expected seasonal upturn in the second half did not take place, with the result that production exceeded demand throughout the year.

The group has fared better in current conditions and the directors say that the group's manufacturing base is strong.

Between the end of 1977 and the end of March, one factory was closed; productivity improved in all other plants, partly as a result of reductions in manning and partly as a result of new equipment coming on stream, they add.

They say a substantial recovery in profits may be anticipated from any sustained increase in sales volume.

The dividend is stepped up to 8.8p (8p) net per 25p share with a final of 5.87p.

Subsidiary, W. M. Still, through which the group supplies kitchen equipment to hotel and catering trades, contributed £0.85m (£0.83m) to group profits on sales of £9.71m (£7.78m.).

There was an extraordinary debit for the period of £998,000 (£138,000), which comprised £500,000 cost of closure of Strathleven plant, in Scotland, and £498,000 cost of termination of Bausch and Lomb agreement.

	1977-78 £000	1976-77 £000
Sales	39,812	33,737
Ophthalmic	30,101	25,964
Catering	9,711	7,783
Profit before tax	3,343	4,165
Opthalmic	2,491	3,332
Catering	852	833
Tax	729	†824
Net profit	2,614	3,341
Minority interests	7	7
Extraord. debits	998	138
Leaving	1,609	3,196

† Adjusted for ED19.

● comment

UKO's depressing second half results—profits almost 40 per cent lower—knocked 8p off the share price, to a year's low of 150p. On top of labour problems and exchange losses on overseas earnings, demand for spectacle frames and ophthalmic lenses, a low priority essential for the consumer, has been hit by the squeeze on spending over the year, dropping by about a tenth in the UK (compared with an industry downturn of 17 per cent) and even more in overseas markets. Also, domestic prices had to be lowered and this reduced margins by 4.5 points to just over 8 per cent. Margins were also under pressure in the Still kitchen equipment division (one quarter of sales) where profits showed only a small rise in spite of a volume gain of around 7 per cent which came mainly from new products. Moreover the outlook remains bleak. UKO has just completed a heavy re-equipment programme (£3m was spent last year, mainly on ophthalmic plant) and there is no sign yet of any mainstream recovery. On the ophthalmic side the company is operating at around three quarters capacity but stocks are building up and this must be a worrying factor. The shares, on a p/e of 7.5 and yielding 9.3 per cent, have little speculative appeal.

WAGON FINANCE

A new subsidiary, Wagon Leasing, has been formed by Wagon Finance Corporation.

It has authorised capital of £100 in shares of £1 each. Two of these have been issued and are fully paid.

Guthrie second half standstill

WITH ALL of its surplus being earned in the first half, Guthrie Corporation announces record taxable profits for 1977 of £19.68m compared with £13.27m on turnover down by £7m to £282.9m. At the interim stage, profit was ahead from £4.69m to £11.14m on turnover up from £133.5m to £144.7m.

Earnings per £1 share are shown as 31.9p (13.5p) before extraordinary items and restatement exchange differences, and 30.3p (11.6p) after the same. The dividend is increased from 10p to 15p net with a 9p final payment.

Operating profit expanded from £20.23m to £25.31m and was split geographically as to: South East Asia £17.4m (£10.21m); Europe £0.37m (£2.19m loss); Australia £0.38m (£4.73m); North America £5.44m (£6.3m) and Africa £1.71m (£1.17m).

Sir Eric Griffith-Jones, the chairman, says that results for the first half of 1978 will show a lower level of profitability compared with the 1977 first half, and while profits a a whole, for the current year, may not quite match 1977, present indications, he says, are that they will be satisfactory.

The group's plantations, Kumpulan Guthrie and Guthrie Ropel in South East Asia, returned exceptionally good results, the chairman states; crop levels were high for the first nine months, though they dropped away in the last quarter and have been below average for the first quarter of 1978. The commodity dealing companies, Symington in the UK and Guthrie Industries in the U.S., made a satisfactory contribution during 1977, he adds.

A further substantial write-down has been made against slow-moving stock and doubtful debts of Guthrie Engineering (Malaysia) and, to a lesser extent, Guthrie Trading (Malaysia). The chairman feels that these provisions are now adequate.

Thus, Guthrie Berhad which is 74 per cent owned by the corporation reported a net loss of S$5.9m before tax recovery and extraordinary items, but it has overcome the worst of its problems, and forecasts a profitable out-turn for 1978.

The Singapore operations traded profitably, and Guthrie Kimia returned to profit in 1977.

The continuing problems in the carpet industry tended to overshadow good performances in the group's other activities in the UK. The plastics, textiles, confirming, trading and food businesses all produced very satisfactory results, Sir Eric says.

He adds that group businesses related to the carpet industry can only show a major improvement when the group's reinvestment programme is completed early in 1979.

In North America, activity in the capital goods sector was relatively low in 1977, and became particularly weak in the last quarter. Exports, again, helped to carry Ajax Magnethermic through a difficult trading period.

The other Ajax subsidiaries in the U.S., Canada and UK all made progress.

Mindustrial Corporation, of which Guthrie has a 71 per cent stake, reported a reduction in earnings, before exchange gains, from C$1.05 to $0.98 per share: Sir Eric says this was a reasonable performance in view of the poor Canadian economic situation, and was achieved by a substantial increase in sales, at lower margins.

North America had a sluggish 1978 first quarter, but substantial recovery has taken place in the order intake.

Following a review of the future of Sanyo-Guthrie Australia, part of the group's Pacific activities, it was agreed in principle that the Guthrie shares, some 50 per cent of Sanyo-Guthrie, will be sold to the Sanyo Group.

S. A. Towell performed well the chairman says and is the subject of a major investment programme. In line with the group's operating policy, certain small subsidiaries were sold or closed.

Sir Eric states there are signs of an improvement in most sectors of group business.

	1977 £000	1976 £000
Group turnover	282,870	289,547
Operating profit	25,308	20,229
Interest	5,627	6,963
Profit before tax	19,681	13,266
Taxation	9,497	8,912
Net profit	10,184	4,354
Extraordinary credits	1,168	*2,907
Exchange loss	1,970	*3,016
Minority interest	677	1,025
Preference divs.	42	79
Attributable to ord.	[illegible]	[illegible]
Ordinary divs.	4,309	2,372
Retained	4,384	467

* Debits. ° Gain.

● comment

Guthrie's record pre-tax profits disguise a weak fourth quarter and the difficulties are continuing to affect operations in the first three months of 1978. In the important plantation operations in South-east Asia, the final quarter has seen smaller crops, in particular, oil palm and a decline in palm oil price from its June, 1977, peak of U.S.$673 per tonne to under $500. North American earnings have been depressed by low demand for capital goods and the poor economic conditions in Canada. The end of the boom in colour television sales in Australia has thrown its joint venture with Sanyo Electric into the red. Nigeria has been affected by reduced government spending while the recovery in Europe has been checked by the depressed carpet industry. Though the South-east Asian and North American positions have shown signs of improvement, the expected setback in the first half coupled with continuing gloom in Europe and Nigeria have dimmed the prospect of further growth this year. The shares fell 22p yesterday to 295p which yield 8.1 per cent on a p/e of 8.8.

Chesterfield Props. increases to £1.79m

A RECORD pre-tax profit of £1.79m against £1.54m previously is reported by Chesterfield Properties for 1977. At halfway profit advanced from £0.51m to £0.88m.

If dividend restrictions are lifted the directors intend paying a 4p net per 25p share second interim dividend in August. If the restrictions continue they will pay a maximum permitted net dividend of 2.245p at current tax rates and 2.27903p if the rate is reduced to 33 per cent.

Last year dividends totalling 3.8210625p net were paid.

For the year turnover was £3.73m (£3.49m) and income from completed properties and other activities was £2.71m (£2.64m) before interest ahead from £0.79m to £0.96m. The interest charge excludes development outgoings of £108,000 (£52,000 net of tax relief) compared with £485,000 (£385,000 net) last time.

	1977 £000	1976 £000
Turnover	3,731	3,495
Property investment	3,375	2,906
Mngmnt., guarantee fees	165	397
Other activities	191	192
Income	3,714	2,644
Interest	961	794
Outgoings on deferred developments	—	135
Assoc. profits	32	†172
Profit before tax	1,785	1,543
Tax	922	861
UK	812	729
Overseas	110	132
To minorities	3	9
Attributable	860	673
Dividends	*545	356
Retained	395	317

† Losses. * Based on 4p second interim

Attributable capital profits of £568,000 after tax were earned during the year (£2.07m) with £515,000 (£783,000) contributed from overseas associates.

The result is before tax of £0.92m (£0.86m) and earnings per share are shown ahead from 6.85p to 8.76p.

Electronic Rentals ends year £3.3m in front

WITH TURNOVER moving ahead from £87.5m to £100.95m, Electronic Rentals achieved higher pre-tax profits of £13.7m for the year to March 31, 1978, compared with £10.44m for the last full year. Profit was struck after an exceptional item of £306,000 against £714,000: being integration costs on TV rental acquisitions.

At the interim stage, when the advance reported was from £4.9m to £6.2m, the directors said they were optimistic about the full year's outcome.

As forecast the dividend total is stepped up from 2.3945p to 5p with a final payment of 3p net. Treasury permission has been received for this increase in the light of the defence against the bid from Philips Industries last December.

	1977-78 £000	1976-77 £000
Turnover	100,948	87,513
UK rental	58,671	50,252
Overseas rental	10,175	7,749
Retail	6,078	3,573
Camping and leisure	24,732	21,668
Property	71	65
Miscellaneous	240	206
Trading surplus	41,763	36,240
Depreciation	24,069	20,553
Interest	2,973	3,648
Lease payments	315	552
Profit before excep. items	14,009	11,156
UK rental	12,136	9,734
Overseas rental	1,721	1,179
Retail	127	412
Camping and leisure loss	112	863
Property	236	227
Miscellaneous	10	2
Holding company	291	265
Exceptional debits	306	714
Profit before tax	13,703	10,442
Tax	1,915	978
Net profit	11,788	9,504
Minority loss	10	99
Extraordinary debits*	1,142	1,170
Available	10,613	8,464
Dividends	3,678	1,775
Retained	6,935	6,689

* Consists mainly of goodwill written off, losses by overseas subsidiaries prior to television signal transmission and foreign exchange adjustments.

Comparative figures have been adjusted for the adoption of ED19 on deferred tax and to write off goodwill as an extraordinary item in the year in which it arises. The tax charge of £1.92m (£0.94m) is substantially ACT on dividends.

● comment

Pre-tax profits growth from Electronic Rentals of 25 per cent was not enough for the market yesterday, and the shares were 6p lower at 125p, where the p/e is 7.6 and the yield is 6.2 per cent. The UK rental side has obviously felt the benefit of some small acquisitions which bolstered set density per shop but acquisitions only accounted for a third of additional rental volume. Electronic Rentals claims it has been gaining some market share; the last price increase of 7 to 8 per cent last September was fairly modest. Overseas the expansion in rental income is mainly due to an acquisition in Germany. Elsewhere both retail and camping and leisure are disappointing areas, though both are showing more encouraging figures now. Overall Electronic Rentals offers investors a chance to get into the TV rental sector in one of the more pure rental companies. Long term the opening provided by TV games and video devices could lead to a whole new market and meantime the shares look reasonable value, though another Price Commission investigation highlights the political vulnerability of this sector.

Cullen's down and cuts dividend

Following lower midway profits of £116,217 against £173,891, Cullen's Stores finished the year ended February 28, 1978, down from £297,209 to £233,850 pre-tax.

The dividend total is cut to 4.32p (4.5p) per 20p share, with a final of 3p net.

After tax of £121,746 (£163,910) net profit was £112,104 (£133,299). Comparisons have been adjusted to give effect to a change in the basis of accounting for assets financed by leasing agreements.

Burco well ahead at six months

ON TURNOVER ahead from £12.31m to £13.87m pre-tax profits of Burco Dean rose by £215,000 to £720,000 for the six months to March 31, 1978.

Profit for the full 1976-77 year recovered from a depressed £0.52m to £1.1m and the directors then said the current growth, in the short term, would be maintained.

They now say that during the half-year the markets in which the group operates have not become any easier, yet profits and turnover continue to grow steadily.

The interim dividend is increased from 1.5p to 1.675p net per 25p share and the directors propose to pay the maximum permitted final—last year's final was 2.21835p.

Net profit was £428,000 (£240,000) after tax £292,000 (£265,000).

The group manufactures domestic electric and gas appliances, kitchen furniture and security systems, die-casting and plastic mouldings.

Leigh interests on target with record £0.86m—sees more

IN LINE with its April forecast of profits not less than £0.85m, pre-tax profit of Leigh Interests jumped 46 per cent from £0.59m to a record £0.86m in the March 31, 1978, year.

Turnover expanded from £12.89m to £14.34m, and after the first three months of the current year Mrs. Joan Agar, the chairman, reports a higher volume of activity in all divisions, and says directors look forward to satisfactory results.

The record for the year came after profit was doubled to £227,000 at halfway.

Net profit of the group was £0.39m (£0.28m) and earnings per share are shown at 7.4p (7.1p). The final dividend of 2.33p net per 5p share takes the total from 0.975503p to 3.63p.

Directors say the profit was achieved after charging £93,000 of the £273,000 of exceptional expenditure incurred at its Mitco site on decanting liquid waste into the sea.

The capacity benefit achieved by decanting will continue until the closure of the site in November, when the balance of the decanting cost of £180,000 will be recovered and charged to the profit and loss account on a pro rata basis. After allowing for this the site will continue to return a satisfactory profit until closure.

In the year the 50 per cent owned Stablex opened the West Thurrock Sealosafe waste treatment plant. A second plant was commissioned at Aldridge in April and negotiations for a fourth plant in Yorkshire are under way.

Difficult year for Advance Laundries

In his annual statement Mr. W. M. Travers, the chairman of Advance Laundries, says that the company looks forward with confidence to the future, although for the immediate outlook, he says that economic conditions are uncertain and 1978 will be a difficult year.

As reported on May 24 pre-tax profits for 1977 fell from £3.45m to £3.35m, and the dividend is stepped up to 1.852p (1.0581p) net per 10p share.

BUPA finances healthy

A healthy financial position for British United Provident Association is reported by Sir Michael Milne-Watson, in his chairman's statement accompanying the 1977 report and accounts.

Subscription income rose by over £10m to £63.8m and net investment income by nearly 30 per cent to £5.5m, although the surplus from operating subsidiaries fell to £11,000 from £194,000. Benefit payments jumped by 18 per cent to £53.4m—84 per cent of subscription income, while administration and development expenses were nearly £1m higher at £6.6m.

The company showed a surplus on the year of £5.6m against £4.3m in 1976 and after a transfer of £4.0m to benefits maintainance reserve the balance carried forward was increased to £2.3m from £1.6m.

Sir Michael points out that full provision has been made for the estimated payments of benefits for all succeeding financial years, thereby giving rise to the substantial increase in the provision for outstanding claims. But even with this increase, BUPA's reserves were ample to meet statutory solvency margins.

Over the second half of last year there had been a steady increase in the total number of registrations, thereby resuming the characteristic growth pattern of the past. This had terminated the negative phase resulting from the uncertainties arising from the heavy political attack on independent medicine. However, this improvement did not offset the loss in membership over the first half of the year—membership at the end of 1977 totalled 818,000 compared with 824,000 at the beginning.

LEGAL NOTICES

No. 001700 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of DANNY QUASTEL (BOOKMAKERS) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 25th day of May 1978, presented to the said Court by the HORSERACE BETTING LEVY BOARD, 17 Southampton Row, London, W.C.1., and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 26th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

COWARD CHANCE,
Royex House,
Aldermanbury Square,
London, EC2V 7LD
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of June 1978.

No. 001699 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of BETARET LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 25th day of May 1978, presented to the said Court by the HORSERACE BETTING LEVY BOARD 17 Southampton Row, London, W.C.1., and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 26th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

COWARD CHANCE,
Royex House,
Aldermanbury Square,
London, EC2V 7LD
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of June 1978.

No. 001729 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ALL SPORTS PUBLICITY COMPANY LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 26th day of May 1978, presented to the said Court by BROOK STREET BUREAU OF MAYFAIR LIMITED whose registered office is situate at 47 Davies Street, London, W.1., and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 3rd day of July 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

LOVELL SON & PITFIELD,
3, Verulam Buildings,
Gray's Inn, London, WC1R 5LP.
Ref: AM/JACD/VP.
Tel: 01-242 7883.
Agents for:
WARNER GOODMAN & CO.,
21 Hampshire Terrace,
Portsmouth.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 30th day of June 1978.

COMPANY NOTICE

UNION DE BANQUES ARABES ET FRANCAISES – U.B.A.F.

Loan US$25,000,000 1977/82
Payable on the 7th June and 7th December of each year

Bondholders of above loan are hereby informed that the rate of interest applicable for the six month period ending 6th December, 1978 has been fixed at 8 11/16%.

Coupon No. 2 will be payable as from 7th December, 1978 at the rate of U.S.$44.797 equivalent to a 8 11/16% interest worked out on a basis of 183/360ths covering the period starting June 7th, 1978 to December 6th, 1978 inclusive.

The Fiscal Agent
CREDIT LYONNAIS
—LUXEMBOURG

COMPANY NOTICES

ENSO-GUTZEIT OSAKEYHTIÖ
8% 1973/1988 FF 100,000,000

Notice is hereby given to bondholders of the above loan that the amount redeemable on July 16, 1978, i.e. FF 2,000,000 was bought in the market.

Amount outstanding: FF 90,000,000.
Luxembourg, June 9, 1978.

THE FISCAL AGENT
KREDIETBANK
S. A. Luxembourgeoise

Ford

BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 13 April 1978 NOTICE is now given that the following DISTRIBUTION will become payable to Authorised Depositaries on or after 12 June 1978 against presentation to the Depositary (as below) of Claim Forms (obtainable from the Depositary) listing Bearer Depositary Receipts.

Gross Distribution per Unit	4.500 cents
Less 15% US Withholding Tax	0.675 cents
	3.825 cents per Unit
Converted at $1.84	= £0.020788

DEPOSITARY
National Westminster Bank Limited
Stock Office Services
5th Floor
PO Box 297
Drapers Gardens
12 Throgmorton Avenue
London EC2P 2ES
6 June 1978

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

GOLD MINING COMPANIES DIVIDENDS

The following dividends have been declared payable in the currency of the Republic of South Africa, to members registered in the books of the companies concerned at the close of business on Friday, 23rd June, 1978, and, where applicable in the case of The Randfontein Estates Gold Mining Company, Witwatersrand Limited to persons presenting to the London Bearer Reception Office Coupon No. 85 detached from share warrants to bearer in terms of a notice to be issued by the London Secretaries and published in July, 1978.

Name of Company (each of which is incorporated in the Republic of South Africa)	Dividend Number	Per share/unit of stock Cents
Elsburg Gold Mining Company Ltd.	10	5.2
The Randfontein Estates Gold Mining Company, Witwatersrand Ltd.	86	200.0
Western Areas Gold Mining Company Ltd.	26	8.0

The dividends are declared subject to conditions which can be inspected at or obtained from the companies' Johannesburg office or from the office of the London Secretaries (Barnato Brothers Limited of 99, Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payment by the London Secretaries and the London Bearer Reception Office will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 24th July, 1978, provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Johannesburg office or the office of the London Secretaries, as appropriate, on 3rd August, 1978.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividends where applicable.

The Share Transfer Books and Registers of Members will be closed from 24th to 30th June, 1978, both days inclusive.

By Order of the Boards.
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED.
Secretaries.
per: R. B. APPLETON.

Head Offices and Registered Offices:
Consolidated Building,
Corner of Fox and Harrison Streets,
P.O. Box 590,
JOHANNESBURG, 2000.
8th June, 1978.

MINING NEWS

Australia relaxes its investment policy

BY JAMES FORTH

SYDNEY, June 8.

OFFERING A significant boost to the mining industry, the Australian Government has relaxed its foreign investment policy and freed foreign exchange controls which inhibit capital inflows.

The major change is that companies which have an Australian equity of at least 51 per cent, or a public commitment to achieve that percentage, will be classed as Australian.

Under the present rules a company is classified as foreign if an individual overseas shareholder holds 15 per cent or more of the capital or if the aggregate overseas shareholding is 40 per cent or more.

There will, however, be no relaxation of the existing rules governing company takeovers. Companies which already have a local equity of at least 51 per cent, but would at present be classed as foreign, and companies which commit themselves to this target, will still have to seek approval of the Foreign Investment Review Board of any takeover proposals.

There will be no change in the existing requirement that any uranium developments must have at least 75 per cent Australian equity.

Companies which agree to "Australianise" must have at least 25 per cent local equity and ensure that the majority of Board members are Australian citizens before they will be granted honorary Australian status.

The Government will not insist on a rigid timetable to fulfil the equity obligations, but foreign companies will be required to reach a general understanding on practical arrangements to achieve the 51 per cent target. If these understandings are not adhered to the honorary status would be withdrawn.

The fact that the Government was considering changes to its foreign investment policy had been widely reported over the past fortnight.

A group of major Australian companies objected to the proposals and have been lobbying to retain the existing policy. They have been granted an important concession. Companies granted Australian status will be precluded from undertaking a project as a joint venture with a wholly overseas owned company.

They will be able to proceed with new projects in their own right, and to join in partnership with an Australian company, with the local concern holding well below 50 per cent of the equity.

The foreign investment changes will benefit groups such at Conzinc Riotinto of Australia—the local offshoot of Rio Tinto-Zinc and Consolidated Gold Fields Australia—the offshoot of Consolidated Gold Fields of London. Both have sizeable Australian public shareholdings.

Mr. John Howard, the Treasurer, said the Government remained of the view that the objective of 50 per cent Australian equity in new mineral projects was reasonable, but would administer its policy flexibly to ensure that new investment was not prevented where Australian equity was not available.

Companies committed to Australianisation would be expected to achieve it primarily by way of new share issues to Australians to fund new projects and expansion.

Proposals for foreign investment in new projects will not require approval if the investment involved is less than A$5m, while the Government would not normally intervene in takeovers where the assets involved were less than A$2m.

EARNINGS DROP AT RHONICKEL

Rhodesian Nickel Corporation, the Anglo American producer, suffered a 37 per cent decline in net profits during the year to March, writes Tony Hawkins from Salisbury. The final dividend is 3 cents against 7 cents in 1976-77.

Net profits for the year were R$2.3m (£1.8m) after the company had suffered not only from the depressed state of the world market, but also from the intensification of sanctions against Rhodesia and the security situation.

Randfontein pays more

CONFIRMING THE recent trend of increased gold dividends, the latest batch, those of the Johannesburg Consolidated Investment group, all show an increase over the comparable payments last June.

However, the declarations are lower than market forecasts. Randfontein announced yesterday an interim of 200 cents (125p) compared with 150 last year and against forecasts of between [illegible] and 300 cents, while that of Western Areas is 8 cents (5.0p) against 6 cents last June and forecasts of around 9 cents.

Elsburg is declaring an interim of 5.2 cents (3.3p) compared with 3.9 cents last June and well below market forecasts of around [illegible] cents.

Meanwhile Anglo - Transvaal Consolidated has declared a final for the year to June of 90 cents (56.8p), making a total for the year of 115 cents, compared with 105 cents in 1976-77. Estimated net profits for the year are R14.9m (£9.4m) against R12.[illegible]m the previous year.

Within the Anglovaal group Middle Witwatersrand (Western Areas) is making a final of [illegible] cents (9.4p), bringing the year's total to 23 cents, against 22 cents the previous year. For the 12 months to June estimated net profits are R3.6m (£2.3m) against an actual R2.9m in the preceding year.

Dartmouth expands to £0.5m

DESPITE THE confused and depressed nature of its motor industry activities, Dartmouth Investments expanded pre-tax profit from £255,643 to a record £505,518 for the year to March 31, 1978, on sales up by 86 per cent to £8.18m.

Mr. D. C. Hathaway, the chairman, believes that the outlook for this small but expanding company is favourable. The directors have budgeted for sales of around £10m in the current year and are concentrating on a consolidation of the company's finances and an increase in its net income.

In February, 1977, budgets were prepared for 1977-78 on the basis of anticipated sales of £7.9m with a net income of some £0.5m. This goal was achieved but not by the route which had been planned, the chairman points out.

Sales and earnings in the Combat Engineering and Dartmouth Manufacturing companies were ahead of last year's performance, but the pressings division was very disappointing, principally due to well-publicised lengthy industrial disputes at client companies, resulting in a shortfall on budgeted sales of some £0.4m.

The effort which had gone into the revival of the former Miller subsidiaries produced a healthy profit contribution, Mr. Hathaway adds. The skateboard phenomenon generated unbudgeted sales income on the Miller side of about £0.5m.

However, low margins, high outside sales commissions and distribution costs meant that in group terms the net profit input was no sufficient to offset the pressings shortfall.

Earnings advanced from a restated 2.55p to 4.88p per share, while the dividend total is stepped up to the maximum permitted 0.80709p (0.72833p) net, with a final of 0.40709p.

	1977-78 £	†1976-77 £
Turnover	8,179,891	4,394,742
Trading profit	605,344	349,807
Interest	99,526	94,164
Profit before tax	505,518	255,643
Taxation	31,556	42,798
Net profit	473,962	212,845
Dividends	78,861	64,[illegible]
Retained	395,101	148,439

† Restated.

The company has changed its accounting policy relating to deferred tax, in accordance with ED19. This change has been dealt with as a prior year adjustment to reserves and a re-statement of 1976-77 comparative figures.

A change of accounting policy has been made relating to goodwill arising upon consolidation. While no diminution of value has occurred, it is felt that this should be set against reserves so that no intangible asset is now shown on the consolidated balance-sheet.

In accordance with SSAP.12, provision has been made this year for depreciation on freehold buildings amounting to £9,280.

Chas. Hill

In general, 1978 has not started well for Charles Hill of Bristol, as most of its activities were hard hit by the very wet and cold weather in the first quarter, says Mr. Richard Hill, the chairman in his annual statement.

The second quarter looks like being a good deal better, but he says, "we have a lot of running to do if we are to stay in the same place."

As reported on May 13 although the group returned to profit in the second half, with a pre-tax balance of £186,535, this fell short of expectations, and the figures for the full 1977 were down from £170,189 to £157,595. The dividend is stepped up from 6.5p to a maximum 7.26p net per share.

As at April 30, 1978 Manchester Liners held 12.2 per cent of the equity, Lloyd's Register of Shipping Superannuation Fund Association 7.1 per cent and Cabot Extra Income Unit Trust 5.1 per cent.

Lesney prospects good

The outlook for 1978-79 is "very promising" with order intake up, Mr. P. M. Tapscott, the chairman of Lesney Products and Co. says in his annual statement.

Production will have to be accelerated to meet the level of demand. Steps are well in hand to resolve this shortfall.

He says directors were encouraged by the reception given to its products at the various international toy fairs, and "delighted" by the response to its new slot-car racing track. This product will be launched in Europe and other markets outside the U.S. in 1979.

In the January 29, 1978 year when pre-tax profit fell from £10.07m to £8.02m, a new sales subsidiary was opened in Japan, and its progress has been encouraging.

Similar sales subsidiaries have recently been opened in Norway, Italy and Singapore. Mr. Tapscott points out that the establishment of new oulets initially increases investment in stock and debtors, and this is evident in the £5.3m decrease in group liquidity in the year. Previously there was a £2.5m increase.

At balance date, fixed assets were £15.80m (£13.43m) and net current assets £23.2m (£22.97m).

Mentmore

THE CURRENT year at Mentmore Manufacturing Company has begun well with sales both in the UK and abroad ahead of the same period in 1977. And Mr. C. P. Andrews, the chairman, says directors are confident of a continuing improvement in profit.

He says the company's policy of further diversification has led to the introduction of a disposable lighter, where sales are ahead of target in the first month of its introduction.

This year the company intends introducing more new product lines, and packaging and point-of-sale material for its traditional writing instruments have been totally revised.

Export sales are running ahead of last year, and indications are that there will be a return to the pattern of growth of previous years.

Plastics division sales are growing and this area is expected to be an important contributor to group earnings.

The group is particularly well-placed to take advantage of any increases in consumer spending in the latter half of the current, Mr. Andrews says.

A current costs statement shows the January 31, 1978 year's £0.53m (£0.2m) pre-tax profit reduced to £0.28m (£0.22m loss) by additional depreciation of £0.17m (£0.13m) and a cost of sales adjustment of £0.11m (£0.36m), offset by a £24,555 (£78,898) gearing adjustment.

Meeting, Old Broad Street, EC, June 30 at noon.

COMPANY NOTICE

SENTRUST LIMITED
(Incorporated in the Republic of South Africa)
DECLARATION OF DIVIDEND

NOTICE IS HEREBY GIVEN that a final dividend No. 24 of 18 cents per share has been declared payable to ordinary shareholders registered in the books of the company at the close of business on 23rd June, 1978.

No instructions involving a change of the office of payment will be accepted after 23rd June, 1978.

The register of members of the company will be closed from 24th June to 7th July, 1978 both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 15th August, 1978 or on the first day thereafter on which a rate of exchange is obtainable.

Non-resident shareholders' tax of 15% will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa.

Payment will be made by the transfer secretaries mentioned below, on or about 25th August, 1978.

The full conditions of payment may be inspected at or obtained from the head office or the offices of the transfer secretaries of the company.

By Order of the Board,
GENERAL MINING AND FINANCE CORPORATION LIMITED
London Secretaries
per: L. W. Humphries

London Office:
Princes House,
95, Gresham Street,
London, EC2V 7EN.
Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent TN24 8EQ
8th June, 1978.

LONRHO

Following the recent press comment about the treatment of the House of Fraser as an associate in Lonrho's half year results, the company's joint auditors Messrs Peat Marwick Mitchell & Co. and Messrs Mann Judd have confirmed that, in their opinion, the treatment by Lonrho is in accordance with established accounting practice.

Lonrho Limited, 138 Cheapside, London EC2V 6BL

FIDELITY STERLING FUNDS LIMITED

SERIES **D** SHARES

An interim dividend for the year to 30th November 1978, of 5p per share has been declared. Payment will be made on 25th July, 1978, to shareholders registered on 6th June.

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Pick up now coming through at Smurfit

THE CURRENT year started quietly for Jefferson Smurfit Group, but directors are now seeing some stronger trends, Mr. Michael Smurfit, the chairman, says in his annual statement.

He says 1978-79 will be a year of further consolidation of base businesses, where directors look for some recoveries and some growth. Indications are that the major economies the Irish based packaging group operates in will be favourable.

The company is well placed financially to move forward and capital spending of £10m is planned.

A significant turnround is expected in the U.S. where last year profits dived from £1.7m to £0.52m as two non-packaging operations — in particular O'Connor Drug—ran into losses.

O'Connor's difficulties stemmed from the use of liquid protein in a number of its major products. The use of liquid protein became suspect during the year, with the result that its inventories became effectively worthless and accounts receivable uncollectable. The company was disposed of in March this year.

Another contract packaging subsidiary made losses but this company is believed to be viable, and directors say the initial investment made in the U.S. is still a sound one. The U.S. continues to hold their interest for further investment.

In Ireland they say price controls may become a problem this year now the improving trend in currency relationships has ended.

Substantial investment is planned for its paper mill to significantly increase capacity, and there is continuing improvement in print and publishing, although overall returns are still inadequate. The group is to discontinue its box games venture.

In the UK the quiet optimism of the earlier months of the year has dissolved and trends for 1978 are difficult to read, they say. A flexible packaging company which last year made a significant loss has now been restored to break-even.

In Nigeria business opportunities continue to abound. It must reduce its ownership there to 40 per cent.

In Australia, where Smurfit made its initial investment last year, there are plans to spend £1m in the next few years.

As reported previously, profit for the January 31, 1978 year advanced from £10.58m to £15.98m before tax. A current cost statement shows this reduced to £13.3m after additional depreciation of £3.7m and a £0.1m cost of sales adjustment, offset by a £1.2m gearing adjustment.

At balance date, fixed assets were £37.02m (£34.69m) and net current assets £29.56m (£14.93m), including £17.24m due from its arrangements with Svenska Cellulosa. This amount has since been paid.

Under the SCA arrangements Smurfit will receive a £100,000 management fee for running the jointly owned corrugated packaging interests, although a profit incentive plan could yield a further £2.5m in the first four years of the agreement.

Gilgate asks for suspension

Shares of Gilgate Holdings, the property company, were suspended at 7p yesterday at the company's request because the audited information available to shareholders has become so out of date. The company is currently being investigated by the Department of Trade.

The latest audited accounts are for the year ended June 30, 1975. During the following financial year, Gilgate was involved in many deals some of which were defined as Class 1 and Class 4 transactions under Stock Exchange rules. A circular to shareholders was therefore required. This circular has also not yet been published.

A spokesman for the company said yesterday that the Board was only too keen to publish the 1977 accounts as well as the 1976 accounts and the circular. The problem was that the auditors had not yet decided how to treat certain items. He said that everyone concerned should hurry to bring out the figures so that the listing could be restored.

He could not forecast when the audited figures might be forthcoming. It could be a matter of several months or more, possibly so late that the preliminary results for 1978 might also be ready by then. The spokesman said that the Board still had "no idea" why Gilgate is being investigated by the DoT.

Scottish & Continental

A date, August 8, has now been put on the extraordinary meeting at which the directors of Scottish and Continental Investment Company are to ask their shareholders to agree proposals for unitisation of the company.

The move, which was first heralded in February, is being undertaken in an attempt to eliminate the deep discount at which shares in the company have traded, relative to their underlying net asset value.

Warrant holders in the company are to be asked, at a separate meeting on the same day, to agree to cancellation of all rights appertaining to their warrants in consideration of a payment of 4p per warrant (plus any excess over 100p in net asset value on August 8, 1978). As at May 31, net asset value was 83.4p per share.

Furness stronger than most

ONLY A dramatic revival of world trade will quickly end the depression in shipping, or a sensible control of new building, end it eventually, Sir James Steel, the chairman of Furness Withy and Co., says in his annual statement.

He says that many shipowners are suffering more seriously than Furness Withy, and many more will reveal the dire effects of the slump in the next 12 months as charters fixed in the favourable years of 1973 and 1974 come to an end.

However, Furness Withy is able to protect its profits better than many shipowners for three reasons. These are:

● its involvement in the liner trades where its ships are not subject to the same cutthroat competition;

● that it is already experiencing the worst of the market with its tramp ships, and does not have to face a further fall in revenue at the termination of charters as most ships were not generally fixed on long charters;

● and its fleet is designed to cover a broad spread of the market.

The group has also made use of its non-shipping activities and assets in the shipping slump.

In the coming 12 months the group will take delivery of six ships. Four are needed for existing liner trades and will go into service immediately.

The two other product tankers were ordered in 1974, and were timed to come into service when directors expected the industry to be emerging from depression. Unfortunately this seems unlikely, Sir James says.

But they are not crude oil tankers but carriers of refined products, and are in a less exposed position. Directors see employment from the outset for them, he says.

On its 16 per cent share of Overseas Containers he says that although it inevitably restricts the contribution from its liner companies, an increased contribution is expected from OCL, although this will not come in 1978.

As previously reported pre-tax profit of the group ended 1977 £1.9m down at £20.72m.

At balance date fixed assets were £155.83m (£132.95m) and net current assets were down from £18.95m to £15.58m. During the year there was a £3.89m decrease in net liquid funds against a £2.62m increase.

GEORGE EWER

The board of George Ewer and Co. refers to its previous statement of its intention to recommend a dividend for the year to January 7, 1978, in excess of that at present permitted by the statutory restraint policy.

Following discussions with the Treasury, the board has decided to hold the AGM on August 1 instead of July 14 as hitherto announced. That apart, the timetable for the payment of the dividend and the scrip issue remains unaffected.

Buckley's Brewery at £0.84m

THE DIRECTORS of Buckley's Brewery report a record taxable profit of £842,019 for the 52 weeks to April 1, 1978, compared with £778,603, after a first-half rise from £396,669 to £432,565. Turnover for the year was ahead at £8.94m against £6.1m last time.

Stated earnings per 25p share are up from 4.5p to 4.8p and the dividend is lifted from 1.625p to 1.7875p with a final net payment of 1.2375p.

On a CCA basis pre-tax profit is adjusted to £745,017 for the year. Capital expenditure on properties during the period came to £593,806 (£229,306) and cash at bank £100,657 (£322,917). The directors report a surplus on revaluation of properties of £1,216,346—the first revaluation since 1973.

Dundonian upsurge

Pre-tax profit of Dundonian almost doubled from £102,229 to a record £195,495 for the year ended March 31, 1978, on turnover well ahead to £526,517 against £267,517.

At the interim stage the directors reported an advance from £38,535 to £60,542 and said that they anticipated a substantial increase for the full year.

The current year has started satisfactorily, they now say, and a further advance in trading performance is expected, while the company continues to pursue an active programme of capital investment for future long term growth.

On capital increased from acquisitions and the rights issue earnings per 20p share are shown as 5.31p (3.01p) and the final dividend is 1.1296p lifting the total to 2.1296p (1.936p), absorbing £68,053 (£28,674), which has Treasury consent. Also proposed is a one-for-two scrip issue.

Shareholders' funds have shown substantial growth over the past year, the directors say, up from £1.02m to £2.13m.

Results from the group's current drilling and underground exploration programme are encouraging, they add. While further exploration work is still necessary, they say there is a growing confidence that this venture will lead to the development of an important new tin and tungsten mining area.

In view of the long term potential scale of operations and contribution to the UK economy the company is presently considering proposals to develop the area jointly with an experienced mining partner.

Net profit emerged as £170,116 (£68,755) after tax £25,379 (£33,474).

Apart from its mining interests, the group's activities include public services and energy conservation.

Electra earns and pays more

GROSS REVENUE of Electra Investment Trust rose from £4.41m to £4.98m for the year to March 31, 1978, and earnings emerged as £2.64m against £2.29m, after tax of £1.74m compared with £1.55m.

Stated earnings per 25p share are up from 4.689p to 5.403p and the dividend is increased from 4.3p to 5p net with a final of 3.5p. Net assets per share are shown as 139⅝p (124¼p) for the group.

BIDS AND DEALS

KCA unable to assess approach

The Board of KCA International has told Mr. Travis Ward, who has made a bid approach, that it is "unable fully to assess the value of his approach" for the time being. Mr. Ward's approach was subject to the Board's approval.

The reason for the indecision, according to KCA, is that an earlier deal with Mr. Ward has not yet been completed. When it is, KCA will consider Mr. Ward's proposed bid knowing that the company is in a sound financial position.

In the earlier deal, Mr. Ward agreed to take on $22m of KCA's debts relating to four rigs in Algeria. In return he was to receive the rigs and 24 per cent of KCA through the issue of new shares. But the deal only became operative when the rigs sailed out of Algiers. They are currently waiting there for the necessary permissions and a ship. KCA needs to pay about £2m of outstanding liabilities in Algeria before the rigs can go. Mr. Ward has again agreed in principle to help by lending the money.

Mr. Paul Bristol, KCA's chairman, said yesterday that he hoped the rigs would be on their way by the end of the month. Meanwhile, Mr. Ward continues to meet the insurance and interest costs due in relation to Algeria.

He has agreed to wait for the uncertainties to be resolved and talks have been suspended until the sale of the rigs is completed.

LONGAI VALLEY

In fulfilment of a condition of the purchases that prompted Walter Duncan Goodricke's bid for Longai Valley Tea, WDG proposes to offer as additional consideration, payments in lieu of the arrears of dividends on the preference shares. These arrears for the three years ended December 31, 1977, amount to 18p and 24p on each of the "A" and "B" preference shares respectively. WDG also proposes to pay an additional 7.58p per share on each ordinary share, being equivalent to the gross amount of the ordinary dividend declared in respect to the year ended December 31, 1974, which was never paid.

It is anticipated that the offer document and the report and accounts of Longai will be despatched next week.

GUINNESS PEAT

The Guinness Peat Group has sold its subsidiary, John Martin Foods, to Catz International BV of the Netherlands.

John Martin Foods is principally concerned with importing and distributing canned foods and will continue to work closely with Guinness Peat. John Martin Produce is not part of the transaction and will continue as part of Guinness Peat.

Newman offer for Wood & Sons

Newman Industries intends to make an offer to acquire the shares it does not already own in earthenware and packing material manufacturers, Wood and Sons (Holdings).

Newman has formally advised the Wood Board of its intention, and says it anticipates the value of such an offer to be about 87½p per Wood share, valuing the company at just under £1m.

Informal discussions have taken place for some months between the chairmen of the two companies over the possibility of integrating their fine earthenware activities.

While the Board of Stoke-on-Trent based Wood has confirmed its preference for remaining independent, Newman considers that it would now be "mutually beneficial" to the shareholders and employees of both companies for such an integration to take place. Newman suggested last night that its bid could stem "anticipated and now published intentions of overseas companies to acquire ceramic manufacturing companies in Stoke-on-Trent. Continued fragmentation of the pottery industry will increase its vulnerability to overseas invasion," according to Newman.

SHARE STAKES

Spong and Co.—Apart from directors and their families, only BSR holds more than 5 per cent of capital, board states. BSR's holding is 118,000 shares (9.8 per cent).

Highams — Interest of G. Phillips, director, reduced by sale on June 6 of 350,000 shares to 208,000 (below 5 per cent).

Best and May—B. R. Fletcher, director, on June 2 sold 105,000 shares at 55p.

Elswick-Hopper — On June 6 E. A. Clements, director, acquired 448,534 shares, this being a second consideration following the purchase of his company—Falcon Cycles.

Mothercare — Ezra K. Zilkha, director, sold on June 6 637,040 shares at 158p. Remaining holding is 2m shares. Other family holdings including those of the chairman Selim K. Zilkha are unaltered and amount to some 22 per cent of the capital.

Lonrho—P. M. Tarsh on June 8 bought 10,000 shares at 60p.

Associated Fisheries—Midland Bank Trust holds upon trust for holders of units pari passu, with the managers of Schlesinger Preference and Gilt Trust, 34,500 5.6 per cent. cumulative preference shares (9.9 per cent).

Norfolk Capital Group—Options have been granted on a total of 300,000 shares at 39.38p each. Included are grants of 150,000 shares to D. I. James, director, and 125,000 shares to G. B. Baker, director.

Centrovincial Estates—J. Gold director, has sold 50,000 shares. J. and B. Gold charitable trust, in which J. Gold and B. Gold have a non beneficial interest, has disposed of 50,000 shares.

Change Wares — R. Crane, director, has sold 25,000 shares at 21½p and 52,000 at 21p. His wife has bought 25,000 12 per cent convertible cumulative participating preferred redemption shares at 23½p.

Lincroft Kilgour Group — A. D. R. Holland, director, has informed company that family trusts connected with him have bought 8,000 shares. His interest in these shares is non-beneficial. Non-beneficial interests total 28,000 shares.

Marley — J. E. Aisher, director, has acquired 10,000 shares beneficial and 10,000 non-beneficial.

ST. PIRAN TRIES FOR REPRESENTATION ON MONK BOARD

Saint Piran, despite opposition from the board and unions, continues to woo A. Monk, the civil engineer and building contractor.

Saint Piran, which holds 29.93 per cent of Monk, has required that a resolution be submitted at the annual meeting of Monk for the appointment to the board of Mr. D. Smith, a director of Saint Piran.

With the requisition, Saint Piran served a statement for circulation to shareholders explaining their reasons for the proposal.

The board of Monk has considered the proposal and the reasons given and has decided to recommend shareholders to oppose the appointment, which it does not consider would be in the interests of the company or of the other shareholders. The board will be explaining its reasons in full.

LEX BUYING STAKE IN UTD. CARRIERS

Lex Service Group has agreed to purchase 2,021,100 ordinary shares of United Carriers from a group of investment funds. These shares represent some 16.48 per cent of the ordinary capital.

The purchase consideration will be satisfied by the issue of 1,010,550 ordinary shares of Lex, together with £858,967 cash. Taking the Lex share at 82p the consideration is equivalent to 83.5p per United Carriers ordinary share.

The purchase is conditional only upon listing being granted by the Stock Exchange for the new Lew shares being issued. Lex also holds 20,000 ordinary of United Carriers and these, together with the shares now purchased, will be held as a trade investment.

DURAFENCING

The Baldwin family of Warrington, whose interests include motor distribution, contracting, and haulage, have purchased from Mr. Frank Stansil, Receiver of Durafencing (Northern) certain of the assets of this manufacturer and erector of fencing. The assets purchased include the manufacturing plant in Northwich and the Liverpool, Manchester, and Nottingham depots.

The new company will be known as Baldwin-Durafencing.

The Guthrie Corporation

Sir Eric Griffith-Jones, KBE CMG, reports "A Record Year"

Preliminary results for year to 31 December 1977	1976 £000	1977 £000
Turnover	289,867	282,876
Operating Profit:—		
South East Asia	10,209	17,408
North America	6,304	5,444
Africa	1,172	1,710
Australia	4,729	380
Europe	(2,185)	374
	20,229	25,308
Interest	6,963	5,627
Profit before taxation	13,266	19,681
Taxation	8,912	9,497
Profit attributable to ordinary shareholders	3,339	8,703
Earnings per ordinary share before extraordinary items and restatement exchange difference	13.5p	31.9p

1977 proved to be a record year for the Corporation. Profit before taxation increased from £13.3 million in 1976 to £19.7 million in 1977, and earnings per share (before extraordinary items and exchange difference) improved to 31.9p (13.5p in 1976).

Dividend

The total dividend recommended for the year is 15p per share, compared with 10p in 1976 and 6.5p in 1975. An interim dividend of 6p per share was paid on 3 April 1978, and the final dividend would therefore be 9p per share.

Taxation

In spite of some increase in unrelieved Advance Corporation Tax which reflects the higher recommended dividend, the total tax charge has fallen to below 50%. The elimination of losses which were not available for tax relief against other group profits is the primary reason for the reduced overall rate of taxation.

Operating Policy

In the eleven years from 1966 to 1976, the Corporation grew rapidly – turnover increased from £12 million to £290 million.

After such growth, it was inevitable that a period of consolidation should follow. In 1976 therefore, the Board concluded that the policy of the Corporation should be to support only those operations with long-term prospects of viability where continued investment in the most efficient and up-to-date facilities could be justified.

This policy has resulted in disposal or closure of certain operations, particularly small businesses unconnected with the main activities in the same Region, and the adoption of major investment programmes in others.

The costs of implementing the policy of consolidation were largely borne in 1976. The effects – particularly in lower interest costs and a reduced rate of taxation – are reflected in the results for 1977.

Exchange Rates

For a company based in the United Kingdom, but operating substantially overseas, the effect of fluctuating exchange rates is considerable.

Operating results for the full year are translated at the rates of exchange ruling at 31 December and for the half year, at 30 June. The effect of the improvement in sterling during the second half of 1977 can be seen from a restatement of profits before tax for the period to 30 June 1977.

In the interim statement, based on exchange rates at 30 June 1977, profit before tax was stated at £11,141,000. Translated at the rates ruling at 31 December, the equivalent figure is £10,515,000. This variation is important if consistent comparisons of half-year data are to be made.

Exchange Differences

Following the decline of sterling in 1975 and 1976, the restatement of net current assets held by overseas subsidiary companies resulted in an addition to reported profits.

Conversely, 1977 was a year of significant sterling appreciation and, in consequence, a loss of £1,930,000 on restatement of net current assets is included in the profit and loss account.

Inflation Accounting

Although detailed studies are continuing, the Board takes the view that there is still such uncertainty on inflation accounting, particularly for a company with the breadth of interests of the Corporation, as to render presentation of inflation accounts unproductive at this time.

Staff

The improvement in results in 1977, after two or three difficult years, is a credit to every one of the thirty thousand employees of the Group. I have no doubt that you would wish me to extend our gratitude for their excellent performance.

South East Asia

Plantations

Kumpulan Guthrie and Guthrie Ropel returned exceptionally good results. Operating profits from plantation interests increased from £11.2 million in 1976 to £19.1 million in 1977. Guthrie Ropel, 41% of which is held by local Malaysian investors, reported profit before tax up from M$8.5 million in 1976 to M$13.1 million in 1977.

Crop levels were high for the first nine months of the year, though they dropped away in the last quarter. The market for rubber remained remarkably stable throughout the year, and although palm oil prices fell in the second half, they proved less volatile than had been expected. Worldwide co-ordination of commodity-marketing in Kuala Lumpur, closely associated with all other parts of the operational management of Kumpulan Guthrie, became fully effective in 1977, and prices realised were generally higher than average market levels.

The commodity-dealing companies in the UK (Symington), and the USA (Guthrie Industries Inc), made a satisfactory contribution to this result.

Last year I reported the major reorganisation of plantation interests. As part of this reorganisation we have agreed with the Malaysian Government the progressive transfer of estates to Guthrie Ropel over the period to 1990, while maintaining local investor interest in Guthrie Ropel at around 40%.

The first transfer is now in the course of detailed planning.

Guthrie Berhad

It became apparent during 1977 that the provisions made against slow-moving stock and doubtful debts of Guthrie Engineering (Malaysia) and, to a lesser extent, Guthrie Trading (Malaysia) at the end of 1976 were insufficient to reflect continuing problems in the market place.

A further substantial write-down has therefore had to be made, and I am satisfied that the provisions are now adequate.

In consequence, Guthrie Berhad, which is 74% owned by the Corporation, reported a net loss of S$5.9 million before tax recovery and extraordinary items. The Singapore operations traded profitably, and Guthrie Kimia in Malaysia, which had a poor 1976, returned to profit in 1977.

Sir Anthony Hayward, formerly Chairman and Managing Director of the Shaw Wallace group of companies in India, was appointed Managing Director of Guthrie Berhad in April 1978. The announcement of his knighthood in the Birthday Honours List for services to British commercial interests and the British community in India gave great pleasure to all his colleagues.

I must record our gratitude to Mr R. F. Jenkins who returned to Singapore to manage the company until a permanent appointment could be made. Mr Jenkins has now retired from an executive role in the Corporation, but will continue his association as a non-executive director of Guthrie Berhad.

Europe

The continuing problems of the carpet industry tended to overshadow good performances in our other activities in the UK. The plastics, textiles, confirming, trading and food businesses all produced very satisfactory results.

Carpets remained in the doldrums throughout the year, and a major improvement in results from our businesses related to that industry can only take place when the reinvestment programme is completed early in 1979.

With the closure of Texac operations in France, the Group's remaining manufacturing interest on the Continent is Lintafoam Europe B.V., the commission carpet backing and compounding operation in Holland. There has been some improvement in trading in this company which operated profitably in 1977.

The Annual Report and Accounts will be posted to shareholders on 26 June. The Annual General Meeting will be held in London on 19 July 1978.

North America

Ajax Magnethermic

Activity in the capital goods sector in the United States was relatively low in 1977, and it became particularly weak in the last quarter of the year. Once again, therefore, exports helped to carry Ajax Magnethermic through an otherwise difficult trading period.

The other Ajax subsidiaries in the United States, Canada and the UK all made progress.

A facility to manufacture induction heating and melting equipment has been established in Brazil.

Mindustrial Corporation

Mindustrial Corporation, 71% owned by Guthrie, has reported a reduction in net earnings before exchange gains – from C$1.05 per share in 1976 to C$0.98 per share in 1977.

In the circumstances of a poor Canadian economic situation in the year, this was a reasonable performance, though it was achieved only by a substantial increase in sales at lower margins.

Reference should be made to three particular aspects of the operations of Mindustrial:—

(i) Since weight reduction of cars in North America has become a major factor, the development by Butler of plastic components for the auto industry is now paying off;

(ii) Sales of commercial and industrial water treatment equipment in North America are growing rapidly;

(iii) the growth of Trench Electric, operating in the capital goods sector, continues with high levels of export business.

Pacific

Sanyo-Guthrie Australia

It was reported in the interim statement that, following the end of the boom in colour television sales in Australia, we were reviewing the future of Sanyo-Guthrie.

Together with our partners, Sanyo Electric, we have now completed a detailed examination of the position. This has revealed deep policy differences, and we have agreed it would be in the best interests of both partners to end the co-operative enterprise. Consequently, an agreement in principle has been reached for the Guthrie shares—50% of Sanyo-Guthrie—to be sold to the Sanyo group.

In these circumstances, Guthrie's 74% equity holding in Sanyo Office Machines, selling Sanyo-produced office and electronic equipment, has also been sold.

The period of co-operation with Sanyo has been a rewarding investment in spite of recent setbacks.

Subsidiary Companies

S.A. Towel again performed well. It is the subject of a major investment programme with the objective of extending the range of products and updating plant and machinery.

Although the carpet industry in Australia remained depressed, Tascot Templeton achieved record sales in the last quarter and ended the year with a reasonable profit.

In line with the Group's operating policy, certain small subsidiaries have been sold or closed.

Africa

Guthrie (Nigeria) again performed well in 1977. Proposals for the sale of a further 20% of the equity of the company, to comply with the Nigerian Enterprises Promotion Decree, have now been made to the authorities.

Future Prospects

There has been a slow start to the present year in several key companies in the Group.

In the plantation sector, the below average oil-palm crop which affected the final quarter of 1977 continued into the first three months of 1978, though prices generally remained higher than expected.

Conditions in the carpet industry in the UK have not improved greatly. North America has also had a sluggish first quarter, and was affected subsequently by a labour dispute on the renegotiation of the labour contract in a key plant. It is probable therefore, that results for the first half year will show a lower level of profitability than in the equivalent period of 1977.

However, there are signs of an improvement in most sectors of the business. Rubber and oil-palm crops are back to normal, with good price levels continuing. Guthrie Berhad has overcome the worst of its problems, and is forecasting a profitable out-turn for the year. Substantial recovery has taken place in North America order intake.

While profits for 1978 as a whole may not quite match the record levels of 1977, present indications are that they will be satisfactory.

The Guthrie Corporation Limited, 120 Fenchurch St., London EC3M 5AA

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Airline stocks advance on sharp growth in traffic

BY JOHN WYLES

NEW YORK, June 8.

THE SHARE prices of the 11 leading U.S. Domestic international airlines have strongly outperformed the stock market during the current rally following reports of substantial gains in traffic.

Although the widespread availability of discount fares initially raised fears among investors about lower profit yields, confidence is growing that the surge in passenger traffic coupled with the continued strength of business travel could take the industry to record profits this year. Since April 12 the market equity of the 11 major airlines stocks has risen by an aggregate of 30.2 per cent, compared with 12.4 per cent increase in the Dow Jones industrial average.

In the first quarter of this year airline traffic growth ran ahead of most expectations. As a group, the 11 airlines recorded a 13.8 per cent increase in revenue passenger miles including a 15.1 per cent rise at American Airlines, which launched the present wave of discount fares last spring, 22.7 per cent growth at Continental, and 25.7 per cent at National.

Traffic increases have continued, with several airlines reporting in May the highest traffic levels ever for that month. National flew 36 per cent more revenue passenger miles last month than in last May, with only a modest 6 per cent increase in capacity. Braniff International, helped by the start of a new service to London, flew more revenue passenger miles than ever in the airline's history.

TWA had its best May since 1960 and says that in the first five months of this year revenue passenger miles are 12 per cent higher than last year on a marginal decrease in capacity.

Many airlines are fitting more seats in their widebodied aircraft to accommodate passenger demand and maintain profitability. United Airlines, for example, is adding 1,970 seats to 1,145 aircraft. The airline, the largest in the western world, has increased its passenger load factor—average aircraft occupancy—from 57.5 per cent to 60.9 per cent.

Virtually all of the airlines, with the encouragement of the Civil Aeronautics Board, have slashed fares on their domestic and international routes. Most have tried to hedge the new fares with restrictions so as not to reduce revenue from business travel, but the consequent leap in demand has been putting a strain on booking services and drawing complaints of declining comfort.

However, many analysts expect airline profits to exceed last year's aggregate $610m.

However, the increased competitiveness in the industry is putting a greater premium on management ability and Mr. Bob Joedicke, an analyst with Lehman Brothers Kuhn Loeb warned recently that "incompetent managements or those facing insurmountable obstacles can be expected to suffer."

Fluor looks for advance in full year

IRVINE, June 8.

FLUOR CORPORATION, the process plant and construction company, still expects earnings in the year ending October 31 to surpass the $4.48 a share reported in 1977, despite a drop in its second quarter net.

Fluor said a surge of new orders in the second quarter increased the company's backlog to a record $13bn.

Second quarter net income fell to 77 cents a share from $1.07 a share last year and the six months net declined to $1.87 a share from $2.12 a year ago.

Fluor blamed the lower net on losses from Peabody Holding Company during the coal strike.

Fluor has a 10 per cent interest in Peabody. It said the Peabody losses reduced the second quarter net by 39 cents a share and six month net by 47 cents a share.

The company also noted that last year's results did not include operations of Daniel International Corporation.

Reuter

Gulf & Western third quarter rise

NEW YORK, June 8.

GULF & WESTERN Industries reports higher net earnings for the third quarter of $43.5m or 84 cents a share up from $38.1m or 73 cents a year ago. It also announced an increase in the quarterly cash dividend on its common stock to 17½ cents a share. The previous quarterly rate was 16½ cents a share.

Fully diluted share net earnings were 63 cents against 56 cents. Sales increased to $1.1bn from $958m.

The third quarter net includes a gain of $5.6m or 12 cents a share on a primary basis—eight cents fully diluted—from the sale of citrus and cattle operations in Florida, net of a provision for losses in certain real estate ventures in the U.S.

For the nine months to date, net earnings total $122.9m or $2.39 a share compared with $127.2m or $2.47.

Fully diluted share net is $1.92 against $1.82. Sales $3.1bn compared with $2.7bn.

Nine months earnings include a gain of $7.3m or 15 cents per share primary and 10 cents fully diluted from the early extinguishment of debt and from the sale of interest in Flying Diamond Oil Corporation net of losses from the sale of securities by insurance subsidiaries.

During the third quarter, seven of the company's eight operating groups showed improvement in operating income over the comparable period.

The leisure time group turned in a significant increase for the quarter, bolstered by Motion Pictures, Paramount Pictures and by the inclusion this year of Madison Square Garden's results.

Paramount Pictures "Saturday Night Fever" now ranks as the company's second most successful film ever, surpassed only by "The Godfather."

The financial services group also was up substantially from a year ago, because of higher loan volume which more than offset higher interest rates paid on short-term indebtedness.

The manufacturing group posted a modest gain in operating income reversing a decline in quarterly comparisons that began over a year ago. The sale of florida citrus and cattle operations was the reason for higher operating income for the consumer and agricultural products group.

Stronger demand for parts in the domestic market contributed to the higher results of automotive replacement parts group. The paper and building products group showed improvement due to higher productivity and efficiency at Brown's paper operations and continued strength in the markets served by the building products operation. The apparel products group's Kayser-Roth Corporation continued its uptrend as a result of increased sales and operating efficiencies.

The natural resources group suffered a small operating loss during the third quarter primarily because of lower prices, but also because inclement weather, and the coal strike resulted in increased production costs at the cement operation.

For the nine months, the leisure time financial services, paper and building products, apparel products, and automotive replacement parts groups showed increased results over a year ago, while the manufacturing, natural resources and consumer and agricultural products groups experienced declines.

On Wall Street yesterday Gulf and Western was one of the most active issues following the announcement of results for the third quarter.

AP-DJ

Federal-Mogul SKF ruling

BY DAVID LASCELLES

NEW YORK, June 8.

FEDERAL-MOGUL and SKF, the latter being the U.S. subsidiary of the Swedish company of the same name, have been found guilty of violating anti-trust law by an official of the Federal Trade Commission because of their mutual supply agreement.

In 1971, the two companies came to an arrangement whereby Federal-Mogul stopped manufacturing bearings for the automobile parts market, and instead became a distributor of bearings made by SKF, which for its part withdrew from the distribution business.

According to the FTC official, this was "a conspiratorial scheme to allocate markets," though both companies argued that rational business reasons lay behind the agreement. SKF showed that its distribution division has sustained heavy losses, and Federal-Mogul produced a report from a consulting firm, recommending that it stop producing certain types of tapered bearings.

Both companies said that they would appeal the ruling, which can be reviewed by the Federal Trade Commission and the Federal courts. According to the law, the companies have one year to carry out the FTC's order once all appeal channels have been exhausted. It is therefore likely to be several years before they actually have to end their agreement, if ever.

In another part of the FTC's ruling, the official declared legal SKF's acquisition of two ball-bearing companies in Kentucky and Pennsylvania.

APL ponders ruling

Mr. Harold L. Schwartz Jr., chairman of APL Corporation said, after reviewing the opinion of Wisconsin Securities Commissioner who is opposed to APL's offer for Pabst Brewing, that APL would consider various alternatice reports AP-DJ from Great Neck.

These alternatives include an appeal from the Commissioner's decision and also litigation to test the constitutionality of Wisconsin's take-over statute insofar as it was sought to be applied outside of that State. APL's proposed exchange offer was for 52 per cent of the common of Pabst.

Georgia Bank

National Bank of Georgia (NBG) expects a profit in its second quarter ending June 30, Mr. Robert P. Guyton, the president, said following the shareholders meeting. He declined to be more specific, reports AP-DJ from Atlanta. During the meeting Mr. Guyton said that it will likely be several quarters before the Bank can resume payment of its dividend or to follow through with plans to form a holding company. National Bank of Georgia, which expects to show a second quarter profit, lost $1.4m after securities gains of $9,000 in the 1977 second quarter. The Bank suspended payment of its 20 cents-a-share quarterly dividend last August.

Mattel returns to dividends

By Our Own Correspondent

HAWTHORNE (Calif.), June 8

MATTEL, the leading toymaking group, has declared a 7½ cent dividend—which is the first payout declaration since the 2½ cent a share quarterly paid in December, 1972 and also a record quarterly dividend payment.

The resumption of regular quarterly cash dividends reflects the continued improvement in Mattel's overall condition, said the company.

Mattel said that significant seasonal variations exist in its major business. Accordingly, results for interim periods are not necessarily a basis from which to project results for the full fiscal year.

Restructuring of domestic seasonal working capital credit lines and long-term debt has been completed. On May 31, individual letter lines of credit totalling $130m have been made available by the company's domestic banks.

The new letter lines of credit, which are for the one-year period through May 31, 1979, are at the prime interest rate.

Also with effect on May 31 last, Ringling Bros. and Barnum and Bailey Circus World, a wholly owned subsidiary, closed a $30m 9½ per cent five-year term loan agreement with a domestic bank. The loan is guaranteed by Mattel and secured by the capital stock and certain personal property of Circus World.

Salomon chief to step down

By Our Own Correspondent

NEW YORK, June 8.

MR. WILLIAM SALOMON is to step down as managing partner of Salomon Brothers, the second largest U.S. securities firm, after 45 years with the company.

He will be succeeded, from October 1, by Mr. John Gutfreund, aged 48, who is presently a senior partner and member of the firm's executive committee. Mr. Gutfreund has spent his entire business career with Salomon Brothers.

During the last 15 years, the company has developed into a leading investment banker and market maker in securities. Its public underwritings and private financings have risen from $3.3bn in 1968 to $17.7bn last year.

Stores expect strong upturn

LOS ANGELES, June 8.

CARTER HAWLEY HALE Stores expects net earnings for fiscal 1979 "substantially ahead" of the $50.1m or $2.37 a share posted a year ago, Mr. Philip M. Hawley, the president, disclosed.

Both sales and profits should reach record levels for the year.

He also expects a strong second quarter based on a strong sales trend in May. Sales rose 14 per cent in May compared to a year ago. The company, which recently completed a $60m acquisition of John Wanamaker, a Philadelphia-based department store chain, is not currently in negotiations for any other acquisitions.

There was no chance the company would renew its bid for Marshall Field, which was thwarted last year, added Mr. Hawley.

Meanwhile, in Kansas City, the President of J. C. Penney, Mr. Walter J. Neppl, told analysts that he expects sales by the U.S. retail industry to rise by about 9 per cent this year.

However, he said the gains will taper off to the 7 to 8 per cent range in the latter part of the year, with a continuation of moderate growth in 1979.

About 5 per cent of the rise in general merchandise sales in both 1978 and 1979 would come from inflation, giving real growth of about 4 per cent this year and 3 per cent next year, predicted Mr. Neppl.

He expects apparel sales to grow in 1978 at about the same rate as general merchandise as a whole, but to rise in 1979 to about a 9 per cent rate.

Agencies

EUROBONDS

DM market to reopen

BY FRANCIS GHILES

THE new issue market for Deutsche-Mark denominated bonds will be reopened on June 20, the Capital Markets Sub-Commitiee has decided. The volume of new bonds to be floated between June 20 and July 12 will amount to DM330m, a figure which represents less than a third of the monthly average volume of new issues in the year before the market was closed in May.

An average monthly total of about DM900m of new bonds had been floated in this sector of the market this year until May. On June 20, the City of Kobe will float DM100m through Deutsche Bank; on June 26, Austria will float DM100m through Deutsche Genossenshaftsbank; on July 3, Ricoh Co. will make a DM30m straight issue and a DM70m convertible through Commerzbank; on July 12, Westdeutsche Landesbank is expected to announce DM100m for Norges Kommunalbank. The Sub-Committee meets again on July 17 to decide the calendar of new issues from that date.

All these borrowers are well accepted in the market, unlike some of those which have raised money in recent months. However, the market will await with some interest the terms offered. The mispricing of various issues was a major factor in the weakening of the market in April and May.

Another factor should contribute to a more orderly market: as in May, the terms of any individual issue have to be approved by members of the Sub-Committee the day before the issue is brought.

The secondary market reacted favourably to the news, and prices were marked up across the board by an eighth to a quarter of a point. This advance might not hold, however, if a DM 700m loan on the domestic market is confirmed at the meeting of the Capital Markets Committee due today.

In the dollar sector, a $50m 15-year issue with an indicated coupon of 9¼ per cent was announced for Hydro Quebec. Joint lead managers for the issue will be S. G. Warburg and Credit Suisse White Weld, who rotate for top position. There will be a purchase fund between the first and eighth year to reduce the average life of the bonds to 11.4 years if fully operational.

The secondary market in this sector was off by about a quarter of a point in thin trading.

The Unit of Account 22m issue for Sociétés de Developement Regional (guaranteed by France) will mature in 1993 and have an average life of 10½ years. The indicated coupon for this issue, which Banque de Paris et des Pays Bas is arranging, is 7 per cent.

In the yen sector, the World Bank is expected to complete a Y75bn bond next month.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8¾pc 1989	94½	97¼
AMEV 8pc 1987	96	96½
Australia 8½pc 1992	93	93½
Australian M. & S. 9½pc '92	97	97½
Barclays Bank 8½pc 1992	95½	96¼
Bowater 9½pc 1992	98	98½
Can. N. Railway 8½pc 1986	96	96½
Credit National 8¾pc 1986	96½	97
Denmark 8½pc 1984	98½	99
ECS 9pc 1993	99½	100¼
ECS 8¼pc 1997	95½	96
EIB 8½pc 1992	97½	98½
EMI 9½pc 1989	96½	96¾
Ericsson 8½pc 1989	96	96½
Esso 8pc 1986 Nov.	100½	101¼
Gt. Lakes Paper 8½pc 1984	97½	98¼
Hamersley 9½pc 1992	99½	100¼
Hydro Quebec 9pc 1992	95½	96
ICI 8½pc 1987	96½	97½
ISE Canada 9½pc 1986	103½	104¼
Macmillan Bloedel 9pc 1992	94½	95½
Massey Ferguson 9¼pc '91	97½	98¼
Michelin 9½pc 1988	100½	101¼
Midland Int. Fin. 8½pc '92	95½	96
National Coal Bd. 8pc 1987	94	94½
National Wstmnstr. 9pc '86	100	100½
Newfoundland 9pc 1989	98½	99¼
Nordic Inv. Bank 8½pc 1988	97½	98
Norges Kom. Bk. 8¼pc 1992	96	96½
Norpipe 8½pc 1989	96	96½
Norsk Hydro 8½pc 1992	95½	96½
Oslo 9pc 1988	99½	100¼
Ports Autonomes 9pc 1991	96	96½
Prov. Quebec 9pc 1995	94	94½
Prov. Saskatchwn. 8¾pc '86	98½	99
Reed International 9pc 1987	92½	94½
RHM 9pc 1992	93½	94
Selection Trust 8½pc 1989	91	92
Skand. Enskilda 9pc 1991	97½	98
SKF 8pc 1987	92½	93½
Sweden (K'dom) 8¾pc 1987	95½	96
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	93½	94
NOTES		
Australia 7¾pc 1984	94½	95
Bell Canada 7¾pc 1987	95½	96¼
Br. Columbia Hyd. 7¾pc '85	93½	94
Can. Pac. 8¾pc 1984	97½	98½
Dow Chemical 8pc 1986	98½	99½
ECS 7¾pc 1982	95½	96
ECS 8¼pc 1989	95½	96½
EEC 7¾pc 1982	96½	97
EEC 7¾pc 1984	95½	96
Enso Gutzeit 8¾pc 1984	96½	97½
Gotaverken 7¾pc 1982	96½	97
Kockums 8pc 1983	97½	98
Michelin 8¾pc 1983	99½	100¼
Montreal Urban 8¾pc 1981	99½	100
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	99½	100¼
New Zealand 8¾pc 1986	96½	97½
Nordic Inv. Bk. 7¾pc 1984	95½	96
Norsk Hydro 7¾pc 1982	96	96½
Norway 7¾pc 1982	95½	96
Ontario Hydro 8pc 1987	94½	95
Singer 8¾pc 1982	100½	101
S. of Scot. Elec. 8¾pc 1981	99	99½
Sweden (K'dom) 7¾pc 1982	96½	97
Swedish State Co. 7¾pc '82	96	96½
Telmex 9½pc 1984	99	99½
Tenneco 7¾pc 1987 May	93½	94
Volkswagen 7¾pc 1987	94	94½
STERLING BONDS		
Allied Breweries 10½pc '90	87½	89½
Citicorp 10pc 1993	90	91
Courtaulds 9¾pc 1989	87½	88½
ECS 9¾pc 1989	93½	94½
EIB 9¾pc 1988	93½	94½
EIB 9¾pc 1992	92½	93½
Finance for Ind. 9¾pc 1987	89	90
Finance for Ind. 10pc 1989	90½	91½
Fisons 10½pc 1987	93½	94½
Gestetner 11pc 1988	91½	92½
INA 10pc 1988	88½	89½
Rowntree 10¾pc 1988	87	88
Sears 10¾pc 1988	88½	89½
Total Oil 9½pc 1984	90½	91½
DM BONDS		
Asian Dev. Bank 5½pc 1988	96½	97½
BNDE 6½pc 1986	96½	97½
Canada 4¾pc 1983	97½	98½
Den Norske Id. Bk. 6pc '90	99½	100
Deutsche Bank 4¾pc 1983	97½	98½
ECS 5½pc 1990	95½	96
EIB 5½pc 1990	94½	95
Elf Aquitaine 5¾pc 1988	94½	95½
Euratom 5¾pc 1987	97½	98½
Finland 5¾pc 1986	97½	98½
Forsmarks 5¾pc 1990	97½	98½
Mexico 6pc 1985	96½	97½
Norcem 5¾pc 1989	100	100½
Norway 4½pc 1983	99½	100
Norway 4½pc 1983	97½	98½
PK Banken 5¾pc 1988	96	96½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5¾pc 1988	95	95½
Spain 6pc 1988	95½	96½

	Bid	Offer
Trondheim 5¾pc 1988	97	97½
TVO Power Co. 6pc 1988	97½	98½
Venezuela 6pc 1988	97½	98
World Bank 5¾pc 1990	98	98½
FLOATING RATE NOTES		
Bank of Tokyo 1984 8¼pc	99½	100¼
BFCE 1984 8¾pc	99½	100
BNP 1983 8 11/16pc	100⅛	100½
BQE Worms 1985	98½	99½
CCF 1985 8¾pc	99½	99¾
CGMF 1984 8 11/16pc	99½	100¼
Creditanstalt 1984 8¾pc	99½	100
DG Bank 1982 7 13/16pc	100	100½
GZB 1981 8 11/16pc	100½	101
Intl. Westminster 1984 8pc	99½	99¾
Lloyds 1983 8 15/16pc	100½	100¾
LTCB 1983 8pc	99½	100
Midland 1987 8 9/16pc	99½	100¼
Nat. Westminster Bk. 1990	99½	99¾
OKB 1983 7¾pc	99½	100¼
SNCF 1985 8½pc	99½	99¾
Stand. and Chtrd. '84 8½pc	99½	100¼
Wms. and Glyn's '84 8 11/16pc	99½	100¼
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¾pc '87	88½	89
Ashland 5pc 1988	93½	95
Babcock & Wilcox 6½pc '97	103	104
Beatrice Foods 4¼pc 1992	98½	100
Beatrice Foods 4½pc 1992	110	112
Beecham 6½pc 1992	96	97
Borden 5pc 1992	102	103½
Broadway Hale 4½pc 1987	77½	79
Carnation 4pc 1987	77½	79
Chevron 5pc 1988	135½	137
Dart 4¾pc 1987	83	84½
Eastman Kodak 4½pc 1988	84½	86
Economic Labs. 4½pc 1987	78	79½
Firestone 5pc 1988	82	83½
Ford 5pc 1988	88½	90
General Electric 4¼pc 1987	83½	85
Gillette 4¾pc 1987	77	79½
Gould 5pc 1987	118	119½
Gulf and Western 5pc 1988	97	98½
Harris 5pc 1992	190	192
Honeywell 6pc 1986	87	88½
ICI 6¾pc 1992	90	91
INA 6pc 1997	97½	99
Inchcape 6¾pc 1992	114	115
ITT 4½pc 1987	81	82½
Jusco 6pc 1992	113½	114½
Komatsu 7½pc 1990	128	129
J. Ray McDermott 4¾pc '87	172½	174½
Matsushita 6½pc 1990	164½	165½
Mitsui 7¼pc 1990	118	120
J. P. Morgan 4¾pc 1987	100	101½
Nabisco 5½pc 1988	104	105½
Owens Illinois 4½pc 1987	114	115½
J. C. Penney 4½pc 1987	76	77½
Source: Kidder, Peabody Securities.		

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Krupp steel sees slight improvement in first four months

BY ADRIAN DICKS

BOCHUM, June 8.

FRIEDK KRUPP Huettenwerke, the steel-making branch of the Krupp group in which the Iranian government holds a direct share of over 25 per cent, has detected a slight improvement in profitability during the first four months of 1978, but does not yet believe the steel industry can look with any confidence towards an end to its continuing crisis.

Presenting FKH's 1977 results here, the outgoing chairman, Herr Robert Mintrop, said the company was "doing all we can" to try to maintain the more positive trend that had made itself felt in March and April after two further loss-making months in January and February.

But he warned that "all in all, we believe that the generally encouraging signs in the steel market in the first quarter of 1978 are not to be traced to any enduring revival in the economy. They are far more a reaction . . . to the clear reduction of pressure from cheap steel imports from third countries, as a result of the external protection of the Community's flank, and to the fact that consumers have run down their stocks and are having to meet their current needs on the domestic and European Community market because of these changed conditions."

Herr Mintrop said the steel industry could never expect to regain the rapid rates of growth of the post-war era, but could regard the present level of orders from its main customers such as the motor, steel fabricating, electrical and mechanical engineering industries as having returned to "normal" after the trough of 1977.

Herr Guenter Fleckenstein, the finance director, said that the last quarter of 1977 had accounted for a large part of the DM 160m ($80m) operating loss which FKH suffered during the year—an increase of some 60 per cent from 1976's DM 98m operating loss. After allowing for special factors, including consolidation of Stahlwerke Suedwestfalen (SSW) and the sale of land not needed for steel-making, FKH was able to reduce its overall loss to DM 40m, roughly the same as the DM 38m of 1976.

As had already been reported, FKH suffered a 5 per cent drop in turnover to DM 4.52bn last year. Steel production was down from 3.2m tons to 3m tons, though special steels, the most profitable area of FKH's production, retained their dominant place with 51 per cent of the total sales of all rolled products.

Herr Wilhelm Scheider, who takes over next month as chairman, said he expected improved profitability from steel exports this year, despite the fact that the European Commission's minimum price scheme had in fact given little relief to German exporters because of the re-adjustment of European Units of Account to reflect the appreciation of the D mark.

Large orders received from Iran during the first quarter had helped to boost the order book, but Herr Scheider emphasised that this business had been received on normal commercial terms and was not the result of Iran's position as a shareholder. Barter was not involved.

Robeco maintains liquidity position

By Charles Batchelor

AMSTERDAM, June 8.

ROBECO, the Dutch investment group, maintained a strong liquid position in the first four months of 1978 because of the unbalanced state of the world economy. Liquidity amounted to 11 per cent of total assets of around Fl 4bn ($1.8bn) on May 1.

The imbalance is caused by expectations that West Germany and Japan will again show large balance of payments surpluses this year, while the U.S. balance of trade is certain to show another large deficit, it said in its first interim report.

In view of the uncertainties in the U.S. economy, Robeco hedged about half of its dollar risk. It reduced its holdings in A T and T, IBM and Du Pont and sold its entire holding in General Motors. It took a new interest in American Cyanamid and slightly raised its holdings in Occidental Petroleum, Texas Utilities, Cities Service and Beneficial Corporation among others.

In its Japanese portfolio, it took profits in Tokyo Electric Power and Tokyo Gas. It also made sales of Hitachi, Kajima and Kirin Brewery. Despite these and other sales, its Japanese interests remained round 13 per cent. of total assets.

In Germany, it raised its interest in Siemens, Commerzbank and the two large Bavarian banks. The recovery in French share prices and purchases led to an increase in its small portfolio in that country. In Holland it took an interest or raised its holding in a number of property companies.

The value of Robeco's shares rose to Fl169 ($75) from Fl166 at the end of 1977 allowing for the stock dividend distributed in April. However, the price development was a great deal less smooth than these figures suggest, it pointed out.

Interfood pays more

INTERFOOD, the parent company of the Suchard and Tobler chocolate concerns, is raising its dividend to SwFrs 105 from SwFrs100 on bearer shares and to SwFr21 from SwFr20 on registered shares, Reuter reports from Lausanne.

Parent company net profits, as expected, showed little change at SwFr7.9m ($4.3m) for the year to March 31 compared with SwFr7.7m the previous year.

Consolidated net profit totalled SwFr10.5m (SwFr11m) for the calendar year 1977.

Lauritzen profits rise

industrial group declared group profits of Kr.258m ($46m) for 1977 compared with Kr.136m in 1976 after allowing for depreciation of Kr.189m, virtually unchanged from 1976, Hilary Barnes writes from Copenhagen.

The main contribution to the profits increase came from the DFDS shipping company and from Aalborg and Elsinore shipyards. Group free equity capital increased over the year from Kr.642m to Kr.815m.

Paris turnover surges

Dealing activity on the Paris Bourse is showing a dramatic increase after the first five months of 1978, Agencies report from Paris. At Frs 19.4bn, turnover is 62.4 per cent ahead of the January-April period a year ago. The upsurge is clearly the result of the stock market boom that gripped France following the March general election. During the three months from February to the end of April, the equity market rose by a full 50 per cent.

FRENCH OIL RESULTS

Margins remain depressed at Total

BY DAVID CURRY

PARIS, June 8.

COMPAGNIE FRANCAISE des Petroles, the Total oil group, improved its profits last year. But the results were still very sluggish in relation to turnover. Pre-distribution profits as a percentage of sales rose from 0.3 per cent to 0.5 per cent in 1977 but fell dramatically short of the 6 per cent achieved in 1973.

This year the build up of new sources of supply, particularly from the Frigg Field, will gradually increase cash flow but the overall result will remain hostage to events in the depressed European refining and marketing sectors.

At the moment the group is having the worst of all worlds with refined products suffering heavy losses and margins being squeezed on crude production from the Middle East. The French Government's response to the oil companies' pleas for a higher return on refined products will influence strongly the evolution of profits in 1978.

Where it counts, the Total results are little changed from 1976. Cash flow was virtually identical, and the net profits move from FFr 166m to FFr 260m has to be seen in perspective. Attributable net profits improved from a FFr 8m loss in 1976 to a modest FFr 134m surplus.

The group owns about a quarter of the Frigg gasfield and it reckons that when the field reaches its optimum output of some 15 to 16bn cubic metres a year in the beginning of the 1980s it should be worth some FFr 750m a year to the group in cash flow.

A notable feature of the results for 1977 was the contribution of the group's North American operation. Total Petroleum North America, of which CFP owns 50 per cent, had a turnover of $349m in 1977, and it should rise to $550m this year. Its contribution to net profit was 27 per cent. Group indebtedness increased slightly over the year and the debt: capital ratio is likely to stick at around 45 per cent for the next few years.

Investments were sharply down from FFr 5.17bn to FFr 3.72bn (two thirds of it in the exploration and production sectors) reflecting the completion of the bulk of the spending programme in Indonesia and for Frigg.

Consolidated results in Frs millions	1976	1977
Turnover	47,383	53,440
Depreciation and provisions	2,710	2,613
Net profits	166	260
Cash flow	2,876	2,873
Medium and long term debt	21,129	22,457

The higher turnover was due very largely to price increases. The group sold 59m tonnes of refined products and 21m tonnes of crude in the year.

The lower provisions mainly reflect the fact that the cash flow generated in France was insufficient to make provisions for currency fluctuations of the same order as in the previous year.

The black spot is refined products, of which some 27m tonnes are marketed in France and 22m tonnes elsewhere in Europe. The group sold a refinery in Italy last year but denied at the time that it planned a pull out entirely. It reckons that two centimes on a litre of petrol at the pump would see the French operation out of the wood.

Its refining subsidiaries closed the account with neither profit nor loss for the second year in succession.

Exchange rate fluctuations caused a FFr 168m loss on monetary assets but the net situation gained by FFr 57m.

Meanwhile, France's other major oil group in which the state has a 70 per cent stake, raised net consolidated profits by 23 per cent last year to FFr 1.76bn from FFr 1.43bn, Reuter reports. Consolidated sales rose by just over 13 per cent to FFr 38.1bn.

The group earnings figures are struck after taking out non-attributable losses of FFr 22m

$200m loan for Kockums to build gas tankers

BY WILLIAM DULLFORCE

STOCKHOLM, June 8.

KOCKUMS, the Swedish shipbuilding group, has obtained a $200m credit facility until the end of 1979 to finance the construction of two gas carriers it is building on its own account at its Malmoe shipyard. The loan is guaranteed by the Swedish State, and has been managed by Skandinaviska Enskilda Banken and its affiliates, Scandinavian Bank of London, Deutsch-Skandinavische Bank in Frankfurt and Banque Scandinave in Geneva.

The loan is one of the largest ever raised by a Swedish company. The interest rate is not being disclosed, but Kockums' finance director, Mr. Christian Christiansson, described it as "a new type of loan developed in negotiations between us and Skandinaviska Enskilda." It carried an attractive price, and met all Kockums requirements regarding flexibility and the possibility of converting later into a longer term form of finance, he said.

The two LNG carriers are the largest so far built anywhere in the world, each with a capacity of 133,000 cubic metres. The first will be leaving the building dock at the end of June for completion, and should be ready for delivery by the middle of next year. The second vessel should be completed by the end of 1979. Kockums hopes to find a buyer for the two ships before then.

Last week, the Swedish parliament approved a SKr 240m ($74m) State loan to Kockums. The fate of the shipyards depends on the shipbuilding industry bill which the government is due to submit to parliament at the end of this month or early in July.

The Stockholm daily Svenska Dagbladet reported today that Kockums and the Uddevalla yard of the State-owned Svenska Varv company would be the only two major yards left in operation under the government's proposals.

Estel link with Cockerill

LIEGE, June 8.

ESTEL NV of the Netherlands will acquire an interest in a wire-rod plant that Cockerill of Belgium started to build in 1975 but on which construction was halted the following year because of the Belgian company's tight financial situation. Estel, the management company for Hoogovens of the Netherlands and Hoesch of West Germany, has agreed to co-operate in an exchange of information with the Belgian company.

Estel's acquisition of a "limited interest" in the wire-rod plant, for which a separate company is to be formed, will be a first step under the new accord, Cockerill said.

When it interrupted work on the wire-rod facility at Val Saint-Lambert, near Liege, Cockerill had spent some BFr2bn on the project. Another BFr2bn is understood to be needed to complete the project which is to have an annual capacity of about 370,000 tons.

Cockerill has been losing money for the past three years and its accumulated losses amounted to little over BFr12bn at the end of 1977.

AP-DJ

Arbed to go ahead with Saarland move

BY OUR FINANCIAL STAFF

THE European Commission has given the go-ahead for the take-over by Arbed of a major part of the steel industry within the West German state of the Saarland. But the Commission has injected a number of provisions into its authorisation.

The most important of these is that Arbed, which is based in Luxembourg, must reduce its shareholding in the Saarland steel-maker Dillinger Huettenwerke from 32.4 per cent to 25 per cent. This has to be undertaken by May 1980.

Arbed is due to acquire this blocking minority in Dillinger through the purchase of two other Saarland steel groups, Neunkircher Eisenwerke and Stahlwerke Rocheling-Burback. The Commission clearly feels that Arbed's hold on the Saarland steel industry should be limited to Rocheling and Neunkircher.

Arbed also has to withdraw—by the end of next month—from the South Rationalisation group, basically a sales office for steel manufactured in the southern regions of West Germany. At the same time members of Arbed's management must not belong to management bodies of outside companies or holding companies of the same type. Under certain conditions, exemptions from this rule may be considered.

On the basis of current production patterns, the Arbed group including its Saarland holdings would produce about 10.5m metric tons of crude steel, or about 7.9 per cent of total EEC production. This would leave Arbed ranking fifth among Community steel makers.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

HONG KONG BANKING

Battle over offshore tax

BY ANTHONY ROWLEY IN HONG KONG

THE GOVERNMENT'S attempts to cast the corporate tax net wider here, to catch offshore earnings of the banks, are meeting determined opposition from the banking and legal community.

Opposition from members of the Legislative Council—including bankers and lawyers—to the Inland Revenue (Amendment) Bill 1978 in its present form has proved stiff enough to get the second reading postponed twice.

It cannot now expect a second reading before mid-July when the prime mover behind it, Hong Kong Financial Secretary, Mr. Philip Haddon-Cave, returns from leave, and even then there are doubts over whether it will become law in its present form.

The proposed legislation has engendered a fierce debate. While not so eloquent as the lawyers in their opposition to the Bill, bankers argue heatedly that both the proposed measures and the delay and uncertainty over implementing them could damage Hong Kong's international reputaton as a banking centre.

The controversy centres not only upon the difficulties of defining what is or is not an "offshore" banking transaction, for purposes of deciding whether it is taxable or not, but also upon allegations that the government is discriminating against banks, as compared with other commercial enterprises in the colony.

A large proportion of total banking activity here takes the form of offshore transactions of one kind or another where banks either barrow or lend funds overseas, and often combine both sorts of transaction simultaneously. They also route some lendings to Hong Kong borrowers offshore when these take the form of foreign-currency loans and all this, according to Haddon-Cave and other tax-reform advocates, means that the banks here are paying tax on something much less than their total profitable activities.

Hong Kong requires companies, including banks, to declare interest as part of their business profits although these profits are exempt from interest tax as such. Instead, such payments are chargeable to profits tax where the source of interest is Hong Kong and where the interest is derived from trade or business carried on in Hong Kong.

However, banks and other types of business here do not pay tax on profits and dividends remitted by their overseas subsidiaries, nor do they pay tax on the interest received from the holding of foreign currency assets.

While exemptions in the former category may benefit banks and other types of business equally, it is argued in official quarters here that banks gain far more than, say, trading concerns from concessions in the second category, as the banks hold a very large proportion of their total assets in the form of foreign securities.

Proposed Hong Kong legislation to tax the offshore earnings of banks has led to a fierce debate. Opposition is coming from lawyers, and from bankers who argue that the proposed measures and the delay and uncertainty over implementing them could damage Hong Kong's international reputation as a financial centre.

Recent statistics show that more than 50 per cent of all Hong Kong banks' total assets take the form of time, demand and short-term deposits with banks abroad, as well as of loans and advances made abroad. The proportion of assets held abroad does not, of course, necessarily correspond exactly to the proportion of total profits they contribute, but it is a rough guide.

The Government argues that the banks, while paying the nominal 17 per cent of profits tax on that part of their earnings which is assessable to tax, are in fact paying an effective rate well below 17 per cent on their overall profits, unlike other forms of Hong Kong-based enterprises.

The banks do not see it this way at all. They argue that, owing to the lack of suitable domestic money market instruments here—the Government has virtually no public debt and does not issue official securities—they are forced to invest a good proportion of their liquid assets in overseas securities or inter-bank loans outside the Colony.

This issue is probably most important for Hong Kong's domestic banks which, unlike the multitude of foreign banks represented here through full branches, representative offices or through "deposit-taking companies," do not have to pay tax elsewhere.

What concerns these foreign banks, along with local banks too, is the Government proposal to charge to profits tax interest from business "actively carried on in Hong Kong without the substantial intervention of any branch elsewhere." This will apply to banks and financial institutions engaged in deposit taking and related business.

However, the draft legislation also says it will "tax interest received by a bank or other financial institution which arises directly or indirectly from the carrying on of a business in Hong Kong." This seemingly catch-all phrase has bankers worried and not least the international banks who route a large volume of their syndicated offshore loans, running into billions of U.S. dollars through Hong Kong.

Many of them are not reassured by Haddon-Cave's recent statement that he was not seeking to net offshore loans simply "booked" or "garaged" in Hong Kong. His statement followed suggestions that U.S. and other international banks might switch offshore loan portfolios wholesale out of here to, say, Singapore where tax on them is 10 per cent.

Bankers argue that when funds are raised and lent outside the Colony, through the intermediation of a bank here, those funds have to be debited and credited to the bank's account here, thus creating a taxable liability. In very few cases does the Hong Kong bank simply act as a broker matching borrowers' and lenders' needs in return for a commission.

The controversy looks like being a long one, and one which some observers suggest is hardly worth arousing, given that the estimated additional annual yield from the extended tax will be only around HK$80m — or scarcely more than 1 per cent of the government's current total revenues.

State plan to rescue Sasebo HI

TOKYO, June 8.

THE Japanese Finance and Transport Ministries have completed a plan to save Sasebo Heavy Industries Company from going bankrupt, using unguaranteed syndicated bank loans and assistance from major shareholders.

The plan, described as "final" for the shipbuilder, calls on a syndicate of 15 banks, led by Dai-Ichi Kangyo Bank to advance unmortgaged and unguaranteed loans to help finance about 40 per cent of the Y8.3bn ($37.5m) to be paid to retiring workers as severance allowances.

The remaining part will be guaranteed by the major shareholders.

Banks will also be expected to provide a loan of about Y20bn, or half the operating funds needed to keep Sasebo in business, without collateral or guarantee.

Nippon Kokan, Nippon Steel, Nissho-Iwai and other major shareholders will be required to delay receipt of credits for steel and other claims from the company.

The plan is understood to have hinged on the agreement by Mr. Hisao Tsubouchi, president of Kurushima Dock Company, Sasebo's third largest shareholder, to take over the presidency at Sasebo.

Mr. Tsubouchi indicated today that he would accept the Transport Minister Kenji Kukunaga's request to become president.

AP-DJ

In a separate development, Maenaka Valve Works, a maker of special valves for ships and thermal power generation, has applied to Tokyo District Court for liquidation, with debts of about Y2bn ($9m), according to Teikoku Koshinsho, a private credit inquiry agency.

The company capitalised at Y120m was owned 50 per cent by the defunct Ataka and Company which was merged with C. Itoh and Co. It was founded in 1920.

The company suffered foreign exchange losses of Y45m in dollar-based exports to the Soviet Union, adding to accumulated deficits.

General Oriental back in the black

BY ANTHONY ROWLEY

HONG KONG, June 8

GENERAL ORIENTAL, 74 per cent-owned by Sir James Goldsmith, related company and family interests, moved out of the red into the black last year.

Net profits were HK$2.53m (US$544,000) in 1977, against attributable losses of HK$2.08m in 1976. However, no dividend is being paid for 1977.

General Oriental was set up as Oriental Financial Consultants and Promoters in the stockmarket boom of 1972 here, but was renamed after Sir James bought into the company at HK$91 cents a share. The shares were suspended in May on the Kowloon Stock Exchange at HK$1.70 each, pending proposals related to an acquisition.

General Oriental currently derives income from its portfolio of Hong Kong and overseas securities and had net assets of under HK$7m when acquired by Sir James. It is believed that he plans to expand General Oriental along the lines of his Paris-based holding company, Generale Occidentale.

Hitachi in Singapore

Hitachi is to establish a new company in Singapore, Hitachi Electronics Devices (Singapore) jointly with the Singapore Government to produce colour television tubes. It will have capital of Sing$ 30m with 70 per cent of this coming from Hitachi and the rest from the Singapore Government, Reuter reports from Tokyo. Production of an initial 30,000 tubes a month will start in 1980.

Kubota profits hit by fall in agricultural machinery

BY YOKO SHIBATA

TOKYO, June 8.

Kubota, the leading Japanese manufacturer of cast iron pipes and agricultural machinery suffered an 18 per cent setback in current profits to Y33.1bn ($150m) as a result of the depression in the agricultural machinery sector in the year to April 15.

Sales, however, rose 9 per cent to Y463.5bn ($2.1bn) helped by favourable sales of sectors related to public works, such as cast iron pipes and environmental machinery, both up by 7 per cent over a year ago. However, sales of the company's main line, agricultural machinery, and housing equipment performed poorly, marking the contrast between public and private sector of demands.

Net profits fell by 14 per cent to Y18.7bn ($8.5m), and per share profits were reduced to Y15.13 from Y17.67 a year ago.

For the current year the company expects sales increases in pipes and environmental equipment, such as for water treatment, given the active public investment, undertaken as a part of Government's economic reflationary measures. In particular, pipes (accounting for 24 per cent of the total sales) are expected to provide a impetus to profit recovery.

As a result of intensified sales competition among farming machinery manufacturers, sales of farming machinery are seen as having slim chances of recovering. The company is seeking to compensate for the slump in domestic demands for farm machinery by boosting exports, centred on the U.S. Exports are expected to grow by 8 per cent in the current year.

Margins squeezed at Makita

BY OUR FINANCIAL STAFF

MAKITA ELECTRIC WORKS, Japan's largest manufacturer of portable power tools, has announced a fall of 5.8 per cent in consolidated net income for the year to February 20, to Y4.19bn ($19m), from Y4.45bn in the previous year.

The company attributes the fall to the rise in the yen in the foreign exchanges, higher raw material prices, and start-up expenses at foreign sales offices and additional transport expenses for exports.

Although net sales rose 16.8 per cent to Y44.75bn ($199m), from Y38.3bn, the cost of sales rose to Y28bn, from Y23bn, and selling, general and administrative expenses increased to Y8.38bn, from Y6.22bn. Operating income, as a result, fell by 8.2 per cent to Y8.35bn, from Y9.10bn.

After allowing for a rise in interest income to Y1.65bn, from Y918m, foreign exchange losses of Y319m (against Y138m), and other net losses of Y222m (Y284m), pre-tax income was Y9.46bn, compared with Y9.6bn.

Domestic sales increased by only 4.2 per cent—as a result, the company says, of relatively low economic activity, particularly in the housing and building industries, and weak consumer spending. But sales outside Japan rose 41.5 per cent to Y18.39bn, to reach 41.1 per cent of overall net sales, against 33.9 per cent the previous year.

The major exports markets, in order of growth rate, were North and South America, Asia and Europe, though Europe remained at the top in terms of sales amount, followed by North and South America.

Earnings per common share of Continental Depositary Receipt were Y83.9, against Y100.8, and per American Depositary Share (equivalent to five common shares) Y419.8, against Y503.8.

Rise forecast in Algerian debt

BY FRANCIS GHILES

MORE accurate figures than have been obtainable previously on Algeria's external public debt are now available. Estimated disbursed debt outstanding at the end of 1977 amounted to $7.6bn, a figure which is likely to increase to $12bn at the end of 1979 and reach $19.8bn by December 1986.

Meanwhile, the country's debt service ratio will have risen from 11.7 per cent in 1973 to an estimated 17.1 per cent last year. In 1981 its debt service ratio will rise to a peak of 22.6 per cent, and thereafter decline.

Algeria's reserves amounted to $1.9bn in December last year, the gold content of which, valued at $42.22 an ounce, amounted to $234m.

Sonatrach, the Algerian state oil and gas company, has recently signed for credits and bonds worth $358m. Two medium term credits, one being co-ordinated by Crédit Lyonnais and amounting to $210m, the other being arranged by Toronto Dominion Bank, are currently being negotiated. A further privately placed $150m should be signed soon, while a new commercial credit of $100m is also expected.

The $250m being arranged by Toronto Dominion is part of a $730m package for the development of the Rhourde Nouss gas field, which will be developed by Canadian Bechtel. Apart from the commercial credit, $275m in the form of a fixed interest rate credit will be provided by Canada's Export Development Corporation, which is also arranging a $142m floating rate loan. Sonatrach still has to find $63m to complete the financial package.

DEBT SERVICE PAYMENTS (millions of $)

	1975	1976	1977*
Disbursed debt outstanding at year end	4,518	5,853	7,634
Interest and amortisation	586	898	1,135
Exports of goods and services	4,790	5,672†	6,650
Debt service ratio (Payment as % of exports of goods and services)	12.2%	15.8%	17.1%

* Provisional. † Estimated.

Source: Banque Extérieure d'Algérie, World Bank, Ministry of Finance.

FOREIGN DEBT SERVICE PROJECTIONS FOR SELECTED YEARS‡ (millions of $)

End of period	Disbursed debt outstanding	Debt service	% of projected Exports
1979	12,019	1,815	20.4%
1981	16,209	3,002	22.6%
1983	18,596	3,832	22.4%
1986	19,867	4,958	20.7%

‡ Provisional.

Source: World Bank: February, 1978.

Plate Glass earnings decline

By Richard Rolfe

JOHANNESBURG, June 8.

PLATE GLASS, a major manufacturer for and supplier to the motor and building industries has seen a sharp fall in its profits, in line with the depressed conditions which have prevailed in these sectors over the past two years. But the lower level of profits, and the dividend halved to 10 cents per share were officially predicted in the South African group's interim statement, cushioning the effect of the actual figures for the year to March 31.

Turnover rose from R196m to R199m and pre-tax profit fell from R12.3m to R9.5m ($11m). After adjusting for lower retentions by associates and reduced minority interests, attributable income was down from R6.6m to R3.4m and earnings per share from 48 cents to 24 cents. On the latest dividend the shares at 135 cents yield 7.4 per cent and have moved up from their 95 cent low which was reached earlier in the year.

With improving conditions in the motor industry, Plate Glass ranks as a partial recovery stock, but the outlook on the building side continues to remain clouded. The Board says that it expects present-day levels of activity in the building sector to obtain for some time and that "scope of our investment is being reduced accordingly." Immediate objectives are stated to be the establishment of an asset base more appropriate to the business and the achievement of a further improvement in liquidity, while profitability having apparently levelled out last year, should now be maintained at the lower levels in 1978.

Metal Box Singapore

By H. F. Lee

SINGAPORE, June 8.

METAL BOX SINGAPORE has registered a 36 per cent increase in post-tax profit to S$3.69m (U.S.$1.6m) for the year to March.

Turnover increased 28 per cent to S$66.7m.

The company, a subsidiary of the Metal Box of the UK, has declared a final gross dividend of 12 per cent which, together with the interim dividend of 6 per cent, makes a total of 18 per cent for the year—1 percentage point higher than the previous year's total.

However, as a result of insufficient tax credit provided under Section 44 of the Singapore Income Tax Act, the group has decided to pay the proposed final dividend on January 3 next year.

The group attributed the improved performance to higher sales achieved by the parent company. Its subsidiary, Metal Box Thailand, posted a modest improvement in profit despite a reduction in sales, largely because of lower costs and a "more favourable sales mix."

ENERGY REVIEW: NORTH SEA FINANCE

BY WILLIAM HALL

Banks and the perils of the equity gap

"The role of finance men in the oil industry is akin to that of the cavalry in modern warfare—to lend some tone to what would otherwise be merely a vulgar brawl." Quentin Morris, *BP finance director.*

THE CITY'S financial establishment has certainly won its spurs when it comes to financing the development of the North Sea. If ever there was any doubt, this week's research report from *the Wilson Committee* quickly dispels it.

The report, prepared by a team led by Professor Bain of Strathclyde University, showers praise on the financial community. Although the sheer size of some borrowers' needs was "daunting both absolutely and relative to their resources," and the inherent risks and novelty of North Sea oil financing gave rise to many additional problems, Professor Bain and his men reckon that the financial *system "proved equal to the challenge."* Everyone gets a pat *on the back*—*not* just the banks. Stockbrokers, merchant banks and institutional investors are all singled out for their "considerable ingenuity and innovation."

On the face of it such fulsome praise seems well deserved. For the banks, at least, the sums involved and the scale of the risks encountered led to a revolution in lending techniques. When BP came along in 1972 for it massive Forties field financing, a number of eyebrows were raised. *One prestigious clearing* bank flatly turned down an *invitation to join in the lending* syndicate because it felt that it was being asked to risk its depostors' money unnecessarily. *If it* had not been *for* the eagerness of the American banks, with a track record of this type of financing, the BP deal could have been a flop. However, the British banks soon jumped on the bandwagon.

Competition

Looking back now it is hard to see what all the fuss was about. Most of the big UK banks have subsequently hired themselves an oil engineer, set up their own oil and energy departments and are *now prepared to* take on board risks which would have seemed unimaginable a decade ago. Competition for project financing business is highly competitive and whereas it was the sole preserve of a few specialised banks in the early days, the number of banks now boasting a "project financing capability" has mushroomed.

The revolution in lending techniques is best underlined by the increasing sophistication of the individuals project financings seen the North Sea from 1972 onwards. Initially, British banks were only prepared to lend on the full strength of a company's balance sheet. With the BP loan they went a step further and agreed to accept the risk that there might not be enough oil in place to pay off the loan though there is still considerable disagreement about whether the BP loan was proper project financing. As the UK Government had a large stake in the company bankers found *it difficult to imagine how it* would ever allow BP to default *on a loan.*

Greater risks

In the Piper and Claymore geld financings for Thomson Scottish Associates the banks were prepared to take even greater risks. Thomson's initial net worth at the time of the first loan was £14.7m but it was able to raise two *$100m project* loans plus a $40m cost overrun loan. *Like BP's Forties loan the banks* took the oil in place risk but in addition they also *took the* recovery rate risk, the market *price risk and the technical* risk up to completion of the project. To all intents and purposes this was effectively a non-recourse loan since if it had gone wrong Thomson would almost certainly not have been able to repay the loan from its own resources. Because of the greater risks involved the banks were given a royalty and it is generally understood that at the end of the day they will earn more from their royalty than they will from the interest revenue on the loan.

The oil companies have experimented with a number of other permutations for raising *North Sea finance.* Tricentrol managed to persuade the Depart *of Energy to guarantee its* bank loan for the Thistle financing but had to concede a minimum royalty of 5 per cent while Ranger Oil was only able to secure finance by getting Chevron to stand behind its loan in return for a gross royalty of 8 per cent over the life of the field. Unlike the earlier deals involving royalties, *Ranger seems to* be paying a fairly high price for its loan *guarantee.*

Fortunately for the banks nothing has gone *sufficiently* wrong so far to jeopardise their loans despite the risks they have in some cases accepted. There have been cases, such as the Argyll field, where reserves are lower than anticipated. There have also been substantial cost overruns and project delays, and in the case of the Frigg Field an expensive "jacket" costing some $70-$100m, was sunk in the wrong place. However, the banks have so structured their loans that *they have protected themselves.*

Whether this will always be the case *is another matter.* Some of the old hands in the oil financing business privately hope that there will be some disaster, such as another Ekofisk blow-out, which will show up the very real dangers that do exist. The success of the project *financings* to date has lulled bankers into a feeling of false security. *At the moment* competition for business is so acute that *there* are signs that banks are lowering their credit *standards* and *taking risks* that they might regret at some later date. *It is often easy to lose* sight of the fact that banks are basically short term deposit taking institutions and not equity investors although they are being increasingly pressed to provide finance when equity finance is not available.

This dilemma is best highlighted by the banks' involvement in financing the offshore supplies industry where the distinction between debt and equity finance has become blurred over the last few years. *The banks may consider them*selves as merely providers of debt *financing but in some cases* they have effectively become equity investors. Occasionally they have accepted this fact of life as in the case of Royal Bank of Scotland, which has taken an equity stake in Ben Line Offshort contractors via its development company, for instance. But, generally, they still cling to the idea that equity finance is not their province.

In practice, however, they have accepted far higher risks than traditionally required of them. The Wilson research report notes that they have *"tolerated unduly high gearing* ratios to help companies through a difficult period," and the fascinating clutch of case studies tucked away in the appendicies to the report emphasise that their involvement has not been without its problems. The saga of the $125m Viking Piper barge is a good case in point.

This sophisticated project *has had what is politely termed* a "chequered career." The initial cost was split roughly half and half between the banks and a group of French, Norwegian and Scottish partners. Its first contract—to lay a 110-mile pipeline from the Ninian oil field to the Shetland Islands—was a tremendous success. It was completed much faster than expected and at a cost very substantially below budget. *Since then, however, the barge* has had nothing to do and has *had to be employed as a con*struction support vessel on terms which are insufficient to cover the cost of interest and capital repayments. With luck there should be an upturn in the market by 1980 but in the meantime the Norwegian member of the consortium has failed and one of the banks has called in its loan which has forced the remaining partners to arrange a painful financial reconstruction.

A number of other projects *have run into* similar financial difficulties. In the case of Sea*forth Maritime, the failure of* a shipbuilder constructing its *ships was beyond its control, but* in other cases the ready avail*ability of cheap loan funds left* some companies, particularly in the supply boat business, too highly geared and dangerously exposed when the *initial* euphoria died away.

	Field	Borrower	Lender*	Amount	Term (yrs.)	Margin over LIBOR† %	Royalty	Comment
1972	Forties	BP	Lazards Morgan Guaranty NatWest	$468m £180m	9	1¼-1½		Limited recourse
1974	Piper	Occidental	RNBD IEB	$150m	9	1¼-1½		Full recourse; option to convert to production payment
1974	Piper	Thomson	RNBD IEB	$100m	9	1½	●	Limited recourse
1976	Claymore	Occidental	RNBD IEB	$175m	5	1⅞		Full recourse with optional conversion
1976	Claymore	Thomson	RNBD IEB	$100m	6	2	●	Limited recourse
1976	Thistle	Tricentrol	Rothschild Barclays	£60m	4	1½-2½	●	Full recourse to third party guarantor (UK Govt.) with optional conversion
1976	Ninian	Ranger	Bank of America	$120m	7	1½-1¾	●	Full recourse to Chevron *for gross royalty of 8%*
1976	Ninian	ICI	n.a.	$100m £75m	7	1¼-1½		Full recourse
1977	Dunlin, etc.	BNOC	Citibank	$825m	8	n.a.		Full recourse
1977	Heather	Norwegian Oil DNC	Royal Bank of Canada Den Norske Credit Bank	$24m	n.a.	n.a.	●	Full recourse

** Lead managers of syndicate of banks. RNBD—Republic National Bank of Dallas. IEB—International Energy Bank.*
† London inter-bank offered rate.

Risk capital

Against this background it is unfortunate that the Wilson *Committee research report does* not devote more space to analysing the role of equity risk capital in the development of the North Sea. It rightly acknowledges that the initial exploration expenditures are equity risks, and of the £600m or so provided by British companies, two-thirds has come out of the retained earnings of the oil majors such as BP and Shell. Apart from this, however, it glosses over the very real lack of equity finance for the downstream ventures. In fact, it states more than once that that it could find *"no shortage of* risk capital for commercially viable *projects."*

Admittedly, special vehicles were set up to channel equity funds into North Sea projects of which Lasmo/Scot is far and away the most successful. Others such as North Sea Assets, where a number of its investments have gone into liquidation, have been considerably less lucky and had it not been for the *banking community which filled* the equity gap on a number of *occasions other projects might* never have seen the light of day.

It is sometimes argued that provided the finance is available for a project it does not particularly matter whether it is debt or equity. If a bank can identify the risks involved and eliminate them as far as possible, *then it should be safe* enough, so the argument runs. This, *in fact,* is what has been happening in the North Sea. The banks have tried to transfer the risks associated with some of the smaller and weaker companies onto the balance sheet of the larger companies but, as in the case of Chevron and Ranger, the price is sometimes high. If this is not possible the banks have resigned themselves *to taking more of the risks onto* their own balance sheets; but *there is a limit to how far they* can go and it is most unlikely that the banks will go beyond the Piper and Claymore financings in terms of risk precedents. They were the closest thing to true non-recourse financing yet seen in the North Sea.

At some stage there has to be an injection of equity money. In the North Sea the problem has been disguised by the fact that, in the national interest, the banks *have been prepared to* be flexible and in fact the large oil companies, which do not present a financing problem, *have dominated the develop*ment stage to date. The banks *are prepared to accept an occa*sional Thomson or Tricentrol *financing, perhaps with an* equity sweetener, but if such *financings became standard,* they would very soon run out *of funds. It is often forgotten* that most of the major invest*ment projects around the world* over the last century have been financed principally by equity money. The major mining finance houses of South Africa and Britain were set up with the sole purpose of channelling investors' funds into risk projects. Similarly, the investment trusts in their early days were established to finance risky situations such as the building of railways in Latin America. Over the last 20 years, however, the importance of equity capital has been declining and the banks have been called on to fill the vacuum.

While the absence of equity finance can be accepted for a certain period, there is a limit to how much longer the banks can continue to support the escalating capital spending of the world oil industry. The *sums involved in the North Sea* may be mind-boggling—roughly *$10bn has been spent so far* and another $10bn will probably have to be spent—but compared with the financial demands of the world oil industry they are not very remarkable.

There are all sorts of estimates. Chase Manhattan reckons that $900bn will have to be *invested in the period* 1975-1985 while Standard Oil *(Ind.) pitches its estimates* even higher. Some of the *individual projects under dis*cussion are equivalent to the whole North Sea programme so far. The 4,800-mile Alaska gas pipeline, for example, which will bring Alaskan gas down to the U.S., will cost over $10bn and some estimates suggest that it might be as high as $20bn.

Other clients

Consequently, there is a limit *to the amount of additional oil* financing that the banks are pre*pared to take on if they are not* to starve their other clients. The *recent growth in so-called "pro*ject financing" has disguised the underlying absence of sizeable sums of new equity capital but it cannot continue to do so much longer. The myth that project finance is "off-balance sheet" has been proven false. Sooner or later a project financing starts to have an impact on some company's balance sheet, be it a producer or consumer, and as the debt equity ratios deteriorate the banks will become increasingly reluctant to lend *more money for the "super-pro*jects" now on the drawing board.

The fact that the North Sea *oil fields have been financed* with such little fuss should not *be taken as a guide to the future.* The major battles are still to come but when they do they may be mistaken for vulgar brawls between the owners of capital and the consumers of oil.

** Committee to Review the Functioning of Financial Institutions Research Report No. 2, the Financing of North Sea Oil, HMSO, £1.50.*

APPOINTMENTS

Railway executive changes

The BRITISH RAILWAYS BOARD has re-arranged the responsibilities of some individual members. Mr. Michael Bosworth, deputy chairman, will exercise general *oversight* of the future development along commercial lines of the individual subsidiary businesses, as well as the whole area of pension funds investment, states the board. Strategic capability is being strengthened by placing *the strategic* development of all the board's activities, in particular, the railway business, on Mr. David Bowick who will be designated vice-chairman (rail). Mr. Ian M. Campbell *has* been appointed chief executive (railways) *to control the* executive management of the railways and he continues to handle engineering and research.

★

Mr. Peter Vaigncourt-Strallen has been appointed a director of CARTER BREED AND WARBURG INVESTMENT MANAGEMENT *GROUP. He* joins the group from Kemp-Gee and Co., stockbrokers, where he was partner responsible for international operations. Carter Breed and Warburg are international *investment managers* specialising in personal and corporate financial consultancy.

★

CONTINENTAL ILLINOIS has made the following appointments in London. *Mr. Miguel J.* Caparros becomes associate director, *international loan* syndications; Mr. James G. McCormick, associate director, certificates of deposit trading; and Mr. David S. Whitehead, associate director, Eurobond trading. Mr. Rodney M. Thomas has been made manager, money market; Mr. Philippe J. Truffert, manager, investment banking; and Mr. Sunil Sreenivasan, assistant manager, loan portfolio. *The parent* concern is Continental Illinois Corporation *of Chicago.*

★

Lord Strathmore, associate of Bell Lawrie MacGregor and Co., *stockbrokers* of Edinburgh, is to join the board of T. COWIE.

★

Mr. Harold F. Hendershot has been elected president of the formed metal products group of INCO LIMITED. He has held overall responsibilities for that group since 1976.

★

Mr. Geoffrey J. Redmond has resigned as managing director of SEDDON ATKINSON VEHICLES for personal reasons. He had been with the company for 20 years and was appointed managing director in 1976, two years *after its* takeover by International Harvester Company. The new managing director of Seddon Atkinson will be Mr. W. N. *White,* formerly assistant to the vice-president and general *manager* of the North American Truck Division of International Harvester. *Mr. White joined* International Harvester in 1964 and has held various management positions at the company's truck manufacturing plants in North America.

★

Sir Monty Finniston has been elected president of the DESIGN *AND INDUSTRIES ASSOCIATION* in succession to Lord Queensberry. Sir Monty is a director of Sears Holdings and executive chairman of Sears Engineering. From 1973 to 1976 he was chairman of the British Steel Corporation.

★

Mr. T. W. Fleming has been appointed *director of management* contracts division and engineering services on the board of BOVIS CONSTRUCTION, a member of the P and O Group. He was previously director of management fee contracting with John Laing Construction.

★

Mr. M. G. Packe *has* been appointed finance director of WARREN PLANTATION HOLDINGS. Mr. T. K. Faris, formerly finance director, is now an executive director.

★

Mr. Martin Evans, of the *Wellcome* Foundation, has been elected *president* of the BRITISH PEST CONTROL ASSOCIATION. While in office, he will also take over responsibilities of a director of the European Confederation of Pest Control Associations.

★

Mr. Frank Warner *has been* appointed honorary national treasurer of the ABBEYFIELD SOCIETY, which provides homes for the *elderly.*

★

Mr. K. N. Jenkins, who recently became a managing director of *the* London-based Mitchell Cotts Group, has been appointed executive deputy chairman of MITCHELL COTTS LIMITED, the group's holding company in South Africa. He has been with *the* group in South Africa since 1957, joined the Mitchell Cotts *Limited* board in 1967 and the board of the Mitchell Cotts Group *in* 1972. Mr. I. K. Soll, a director of Mitchell Cotts *Limited,* South Africa, has been appointed a managing director *of that company.* He has been with Mitchell Cotts companies since 1954 and until last year was managing director of Mitchell Cotts subsidiary, Fraser and Chalmers (SA) (Pty.).

★

WOOL TEXTILE MANUFACTURERS' FEDERATION has been formed by merger of Woollen and Worsted Trades' Federation, Bradford *and* Leeds Textile Manufacturers' Association, and *the* West Yorkshire and Lancashire Wool and Allied Textile Federation. Its first president is Mr. Peter N. Berry.

Mr. Derek H. F. Smith is senior vice-president, Mr. Anthony B. Taylor, junior vice-president, and Mr. John T. Barraclough, honorary treasurer. Mr. Donald E. Rhodes is secretary and commercial director and Mr. John M. Lambert, industrial relations director.

★

Mr. Terry G. Everatt and Mr. F. John Rogers, directors of BARNABY AND TARR COMPANY, have been appointed joint managing directors and Mr Everatt also becomes vice-chairman.

★

Mr. Brian Thornton has been appointed a director of WALTER LAWRENCE.

★

Dr. David Andrews and Mr. Boris Sackville have been appointed assistant directors of ABBEY LIFE ASSURANCE COMPANY. *Both have been members* of the management of Abbey Life for many years.

★

Mr. P. R. Dugdale has succeeded Mr. E. F. Bigland as managing director of GUARDIAN ROYAL EXCHANGE ASSURANCE and Mr. Bigland is now a deputy chairman.

★

Mr. J. A. Franklin has become a director of Morgan Grenfell Finance and Mr. J. B. Rawlings has been made a director of Morgan Grenfell International. Mr. N. H. Livingston and Mr. J. S. S. Syrett have been appointed assistant directors of Morgan Grenfell and Co. On June 30, Mr. A. E. Weighill *retires and* Mr. R. M. J. Taylor will become the group company secretary in his place.

★

The Secretary for Education *has appointed* Lord Porchester as chairman of the AGRICULTURAL RESEARCH COUNCIL from July 1 for five years. He will succeed Sir John Astor, who relinquishes the chairmanship of the Council at the end of this month after 10 years' service.

★

Mr. Bernard Cotton has been elected a non-executive director of BAKER PERKINS HOLDINGS. Mr. Cotton is chairman and chief executive of Samuel Osborn and Co. He has been chairman of the Yorkshire and *Humberside* Economic Planning Council since *1970, and is also a member of* British Railways Eastern Advisory Board, deputy chairman of the Governors of the Sheffield City Polytechnic and a member of the council of the British Institute of Management. Mr. Cotton joined Samuel Osborn in 1957 and went to Canada to take charge of its Canadian operations, *returning* to the parent company in Sheffield in 1963.

L. Daniel examines the prospects for Israel's chemicals industry

Making the most of few resources

ISRAEL IS a country notoriously short of natural resources. In fact they may be limited to the Dead Sea, with its wealth of potash, bromine and magnesium, and the phosphate deposits of the Negev. (The small copper mines near Eilat were shut down when world copper prices began to plummet.) As for oil, although it abounds elsewhere in the Middle East, prospecting in Israel itself (as distinct from Sinai) has not uncovered any significant reserves of either oil or gas. Israel therefore has to import its oil requirements, which it does in the form of crude which is processed locally.

The basis for the chemical industries was laid in pre-State times when the Haifa Refineries were built by British interests, while potash production was started at the Dead Sea in the 1920s. Both sectors were modernised and expanded in the 1960s when the accent in the Israeli economy shifted from labour-intensive enterprise to absorb the inflow of immigrants to capital-intensive industries.

The second oil refinery at Ashdod and the earlier one at Haifa are supplied by the oil pipeline running north from Israel's southern port of Eilat, on the Gulf of Aqaba, where tankers coming from the Gulf are unloaded. As both are located on the Mediterranean, the two refineries can also take cargoes of crude coming through Gibraltar (at present mainly Mexican oil). Between them, the two Government-controlled refineries are more than able to meet Israel's annual oil needs of 7.5-8m. tonnes.

Both the petrochemical sector and that based on the minerals of the Dead Sea and of the Negev are now in the last stages of a second, massive investment programme which, incidentally, involved purchases from Britain amounting to £25m. for the petrochemical industry alone. As a result of this programme, as well as of some projects still in the planning stage, output of chemicals, plastics and rubber products is to be doubled over the next seven years. The importance of this sector to the economy as a whole can be gauged by the fact that it accounted for nearly 20 per cent. of Israel's entire industrial production in 1977 with over 16 per cent. of its output going into export. This proportion is to rise to 23.8 per cent. by 1985.

The main projects now nearing completion in the petrochemical sector include a new ethylene plant being built by Haifa Refineries at a cost of $100m. Scheduled to go on stream towards the end of this year, it will have an initial production capacity of 130,000 tonnes per annum and a built-in capacity of 200,000 tonnes per annum. It will supply raw material to two major concerns: Israel Petrochemicals Enterprises, located nearby, which will use the ethylene to almost treble output of polyethylene, and Electrochemical Industries (Frutarom) of Acre, which will increase its output of PVC more than threefold. Between them, these two customers will take up the whole of the output of the first stage. By-products of the new ethylene plant (for example, propylene) may be used by plants still in the blueprint stage, while the high aromatic stream is to go to another Haifa firm, Gadot Petro-Chemicals, which started its career in the 1960s by engaging in the bulk carriage of liquid chemicals worldwide. The company recently started the running in of a new $20m. plant for the production of 180,000 tonnes of aromatic materials annually. Full capacity is to be reached in 1979-80, with the bulk of the prospective output earmarked for export.

The Haifa refineries are also building a new crude oil cracking unit at a cost of $55m. to be ready by mid-1979.

While the developments at the refineries themselves do not contribute directly to exports, they will enable their customers to expand overseas sales significantly. Petrochemical Enterprises, founded by South American investors, is now producing 35,000 tonnes per annum of low-density polyethylene, 13,000 tonnes of carbon black and, in a subsidiary jointly owned with the U.S. company Monsanto, polystyrene. Nearly all of this is taken up by the local market, with the carbon black going to the country's two large tyre factories. But by mid-1978, Petrochemical Enterprises expect to complete their new $30m. polyethylene plant. The prospective output of 60,000 tonnes per annum is earmarked for export and is expected to bring in $30m. once full production is reached.

Similarly, Electrochemical Industries of Acre are nearing the end of a $60m. expansion which will raise PVC output from 30,000 to 100,000 tonnes p.a. and that of vinyl chloride from 18,000 to 100,000 tonnes a year.

At the Dead Sea, following a period of stagnation in world market demand, potash sales began to improve in mid-1977. Thanks to the conclusion of a long-term agreement with an American company, sales to the U.S. will increase from 100,000 to 400,000 tonnes p.a. A special compacting plant is being set up to meet the requirements of the American customers who, however, are meanwhile taking standard potash. As a result potash sales in 1977 came to 1.1m. tonnes worth $50m. (as against 650,000 tonnes and $35m. in 1976).

At the turn of the year, the Dead Sea Works put into production a new chlorine facility which will not only permit extraction of bromine at lower cost, but also yield as a by-product, caustic soda, to be utilised in the production of magnesia at the Dead Sea Periclase plant, while the three tonnes a day of hydrogen newly available will go partly to Bromine Compounds of Beersheba, and partly as fuel to the boilers.

Production of bromine from the Dead Sea brine is to be expanded by 50 per cent. to 60,000 tonnes p.a. by end 1978 or early 1979. Part of this is sold direct as bromine on overseas markets, and part goes to Dead Sea Bromine Compounds at Beersheba—a partnership with "Mahteshim" (the country's leading pesticide producer).

In the Negev new phosphate mines and processing installations were opened at Nahal Zin four months ago. The new plant has a capacity of 2m. tonnes of chlorine-free, washed phosphates per annum, all intended for export. It is expected that about half of this capacity will be reached in fiscal 1978-79. These supplies will be additional to those from the old Oron works (350,000 tonnes of calcinated phosphates, 100,000 tonnes of this for the local market) and the 500,000 tonnes available for export from the Mahtesh mines.

Both the Dead Sea complex and the Negev phosphate mines belong to a Government-controlled organisation, Israel Chemicals, which also operates a fertiliser complex in Haifa, including plants for the production of sulphuric and phosphoric acid, superphosphates, urea and ammonia, which fully cover the needs of Israeli agriculture. An additional phosphoric acid plant is to be established at Arad in the Negev (120,000 tonnes per annum P_2O_5 content), together with a 500,000-tonne sulphuric acid plant. The Arad complex is a joint venture of Israel Chemicals (33 per cent.) and of Deutsche Entwicklungsgesellschaft. These plants will not be operational before early 1981.

These are the giants of the chemical industry, but there are other branches which are rapidly making a major contribution to the country's balance of payments. Foremost among them is Mahteshim-Agan, a firm belonging to the Koor group of companies owned by the Labour Federation. Drawing on the experience of Israel's highly sophisticated agriculture, it has developed a large range of crop protection materials, which netted it $50m. in export earnings last year.

Also based on local experience is a large sector of the plastic products industry, half of which is concentrated in Kibbutzim. Responding to the need for lightweight but sturdy products for use in various branches of agriculture, the Kibbutzim developed new lines which rapidly found their way on to foreign markets.

Similarly, the sophistication of agriculture and the close co-operation with industry has spurred the growth of a whole new range of plant-based chemicals, which supplement the conventional line of pharmaceuticals.

It is no wonder therefore that chemicals, together with plastics and rubber are expected to be the country's second largest industry by 1985, with an output (at 1977 prices and to-day's exchange rate) of nearly $3bn., of which close to a quarter is to be exported.

> "It is no wonder that chemicals, with plastics and rubber, are expected to become the second largest industry by 1985 with an output of nearly $3bn."

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FARMING AND RAW MATERIALS

Brussels rejects call for pigmeat import ban

BY CHRISTOPHER PARKES

FINN GUNDELACH, the Common Market Agriculture Commissioner, has rejected a French appeal for a ban on imports into the EEC of pigmeat from non-member countries.

But he has ordered an investigation into suspicions that some East European shippers have been sending pork and canned meat into France at prices below the official threshold levels.

In a letter to M. Pierre Mehaignerie, the French Minister of Agriculture, Mr. Gundelach said that while he sympathised with the "local" difficulties experienced in France, now was not the time for a ban on imports.

Some supplementary import levies might be needed to ensure that minimum import prices were respected, and these would be discussed at the next meeting of the pig management committee in Brussels on Monday.

The committee is also expected to approve new subsidies for private storage of pigmeat and will consider raising the current export subsidy on pork and processed meat to help off-load some of the EEC's surpluses on the world market.

France wants the export rebate to be raised from 12 units of account per 100 kg to 15 units of account.

The French requests were prompted by complaints from pig farmers who have been growing increasingly restless about rising imports from all sources, including Belgium and Holland. They say that because some Dutch farmers use feeds based on cheap, untaxed tapioca pellets from the Far East while French fatteners use home-produced grain and imported soya, producers in Holland have an unfair advantage.

They accuse the Commission of condoning this "distortion" of competition.

For all France's legendary efficiency in farming, its pig farmers consistently fail to produce enough pork to meet domestic needs. Last year imports of pigmeat cost an estimated FFr 2bn.

In the first three months of the year the Common Market imported an estimated 20,000 tonnes of pigmeat from East Germany. More than three-quarters of it was sold in France.

Rustenburg lifts price of platinum

By John Edwards, Commodities Editor

A RISE in the producer price of platinum, from $220 to $240 an ounce, was announced yesterday by Rustenburg Mines of South Africa.

The increase is the fifth rise in the producer price of platinum since November, when it was $162. It reflects the strong upward rise in free market values, which broke through $250 last month for the first time since 1974.

But there was an uncertain reaction on the free market yesterday to the Rustenburg move. The London afternoon "fixing" price was quoted $1.50 up at $244.50 (£133.95), but in later trading prices eased to $242. It was pointed out that the increase in the Rustenburg price could be viewed as rather ambitious since only on Monday the free market was trading at $235.

There is said to be considerable nervousness at the higher price levels. It is difficult to see from the speculators' point of view any more "bullish" developments on the horizon. Lurking in the background is the possibility that the Soviet Union, which has not been selling for a long time now, might decide to resume sales.

In these circumstances it is thought Impala Platinum, the other leading South African producer, might not follow the Rustenburg lead ultimately—as happened in February.

Although it is believed producers consider $250 to be the minimum level at which expansion of output might be economically worthwhile.

CHINESE AGRICULTURE

Drought fears overstated

BY JOHN CHERRINGTON, AGRICULTURAL CORRESPONDENT

REPORTS OF serious drought in China, likely to affect the country's overall food supplies and lead to increased grain imports, should be treated with reserve. During a recent tour of the country travelling by rail from Peking to Sian in the west and then to Shanghai I saw little evidence of widespread damage to the overall crop situation.

But this is subject to one proviso. The problem at present is restricted to winter wheat, sown last autumn and due to be harvested from now on.

In areas where irrigation has been available crops look well and should have normal yields. Only where there has been no irrigation and in marginal situations such as in the mountains and in the hills south of the Yellow River did I see signs of premature ripening or crop loss. But I would put the proportion so affected as less than 10 per cent of all I saw.

Officials in Peking freely admitted that there has been drought in places, as indeed have the Chinese papers. But it could be that the drought warnings given out by Peking are as much to stimulate the farming industry to greater efforts, as to prepare the ground for the importation of vast quantities from world markets.

Indeed the reverse could be the case. If the Chinese really wished to make very large purchases they would do their best to keep the true situation out of the news.

Some evidence supporting this relaxed attitude comes from the fact that the main rains in the dry north and centre are normally from July to September. Only if these should fail, and so damage the summer sown crops of maize, rice and soyabeans, could there be a problem. That would be the period to watch.

Speculation

A lot of the speculation about drought has been due to recent reports of wheat crops being watered by hand. This in fact is what it looks like from the distance.

But closer inspection shows that the ripening wheat which is already too far advanced to benefit from extra moisture is being interplanted with the next crop for the season and that is these young plants of maize, cotton and soya which are being watered in, so that they will stay alive until after the wheat has been removed.

Most Chinese farmers aim to secure at least two crops a year, and in many cases three. So, throughout the summer, field workers are frenziedly trying to keep up to date with their planting schedules.

This is why rice, for instance, is usually grown in a seed bed and then replanted after wheat has been removed. In areas where rice is not grown the standing wheat will very often have been sown in narrow strips with the bare spaces in between, left ready for planting in the spring before the wheat has been removed. The reason for this is that there is insufficient time in the areas concerned for the succeeding crops to mature if their planting is left until after the wheat is normally harvested.

I raised the question of wheat imports with officials in Peking and was told that China always imported a certain tonnage. This is partly to replace exports of rice from surplus areas, and also to supply parts of the country which were more easily accessible by sea, than by inland transport from the main growing areas. The Soviet Union has habitually done the same.

I was also told, but I found it hard to believe, that there were imports of seed wheat. Although it was obvious that certain strains of wheat had been imported, these would have been in small quantities for development in the Chinese breeding programme, and not likely to be for direct planting on a large scale.

In any case wheat, while important, is only one of the cereals which make up the basic ration of flour or rice allocated to every one of the 900m or so Chinese, in proportion to their age and the work they do. In Peking the allowance is 15 kilos for a housewife and 20 kilos for a heavy worker. While rice is easily identifiable other food grains can be blended with wheat and this would probably be the destination of some of the maize and millet being grown.

No other foods are rationed, and there were ample supplies of vegetables everywhere. There was no apparent shortage of soyabean products and other pulses, the main source of protein. The only other farm product rationed is cotton material, about six metres a year.

Consumption

The present level of food consumption is low by any Western standards. This probably accounts in part for the small size of the average Chinese, among whom Western visitors stand out as embarrassingly large and ungainly.

It is probable that much more would be eaten if it were available, but there are no signs of deficiencies and malnutrition which can be seen in many other developing countries.

This in itself is a remarkable achievement when it is considered that every one of China's 240m acres has to feed and clothe 3.5 human beings.

Coffee down as frost fears ease

By Our Commodities Staff

COFFEE PRICES fell on the London futures market yesterday as fears of frost damage to next year's Brazilian crop receded further.

The Federal Government weather office lifted its frost warning for southern Brazil on Wednesday evening and overnight temperatures were reported at about 15 degrees Centigrade. But the weather office warned that a new cold front was looming over the Uruguay/Brazil border. This front was moving fairly quickly into Brazil and was already affecting the non-coffee state of Rio Grande do Sul, the weather office said.

The office's short-term forecast for Parana, the country's main coffee growing state, is for cloudy weather, becoming unsettled later with falling temperatures.

Futures prices rose marginally early in the day with the September position reaching £1,807 a tonne. But by the close September coffee was down £11 on balance at £1,783.5 a tonne, £170 below the peak reached at the beginning of this week.

In Washington the U.S. Agriculture Department forecast a sharp rise in world coffee production in the coming year. It put the 1978/79 crop at 74.6m bags (60 kilos each), 9 per cent more than in 1977/78 and the highest level since the 1975 Brazilian frost disaster. Brazilian production is expected to rise to 20m bags from about 17.5m this season, assuming there is no serious frost.

Lamb prices slump

BY OUR COMMODITIES STAFF

A SLUMP in prices for new season's lamb at British livestock markets appears to have halted the steady rise in recent weeks of retail prices of chops and roasting joints.

Farmers are earning about 65p a pound deadweight for their lambs compared with 76p 10 days ago. Average shop price of leg this week is unchanged at about £1.27 a pound.

The main cause of the drop is the increase in supplies at home and consumer resistance to high prices. The fall has been accelerated by the collapse of booming exports to the high-priced French market.

French farmers are increasing marketings and so there is less room in France for imports. The export of live sheep to Belgium and Holland has been hindered because of allegations that animals shipped from Britain were diseased.

Most other retail meat prices are unchanged this week, although steaks have gone up a further 2p a pound. New Zealand lamb is also 1p a pound dearer on average.

Supplies of home-grown new potatoes are starting to reach the shops and "old" potatoes from last season's main crop are growing scarce.

Prices of the few earlies on sale are high and general harvestings in the main growing areas are not expected to start for another five days or so.

Some growers say because of the recent dry weather crops have not bulked up as much as hoped for and yields may fall short of expectations.

U.S. wants more beef

BY OUR COMMODITY STAFF

NEW ZEALAND and Australia are expected to gain most from President Carter's decision to allow a 90,000-tonne increase in imports of beef this year. The Common Market, which has a surplus in store of 350,000 tonnes, is not likely to win improved access.

Only beef from Ireland matches U.S. health standards, but exports stopped early last year after the U.S. imposed extra taxes on imports to nullify EEC export subsidies.

Australia has about half the U.S. market for imported beef and New Zealand 25 per cent.

Other suppliers are Canada and Latin American exporters.

President Carter, who increased the import quotas against the advice of Mr. Bob Bergland, Agriculture Secretary, was told U.S. cattle farmers were unlikely to be affected by the move because the imports would be mostly frozen meat from pasture-fed cattle suited only for hamburger, catering and manufacturing.

The quota was raised in a bid to stem the recent surge in food price inflation in the U.S. Beef prices are 20 per cent higher than a year ago.

Tungsten talks boycotted by Bolivia

GENEVA, June 7.

BOLIVIA is boycotting a UN meeting here on how to stabilise the world market for tungsten because of reservations about the aims of the talks, reports Reuter.

The five-day meeting, convened by Unctad, is trying to resolve conflicting views on whether to start negotiations on an international stabilisation agreement, or to set up an independent consultative body of producers and consumers.

Sr. Xavier Caballero Tamayo, Bolivian ambassador to the Unctad secretariat, said: "Bolivia is convinced that the course to follow, if the already protracted international negotiations are to be really successful, is to aim at the rapid conclusion of an international agreement.

'Close watch' on tapioca trade

BY MARGARET VAN HATTEM

BRUSSELS, June 8.

THE EEC Commission today clarified its policy on animal feeds which is likely to cut the Community's reliance on soya bean imports but leaves open the question of action against rising imports of cheap substitutes for conventional cereals.

French grain producers have been pressing for some time for high levies on imports of tapioca pellets, mainly from Thailand, which they claim are depressing the market for feed-grains.

Mr. David Williamson, the Commission's deputy director-general for agriculture, told cereal and animal feed traders in Rouen today that the issue was under close review and proposals would be made to the Council of Ministers.

But he promised no specific measures and warned that the supply of tapioca could rise sharply in the next year or so.

Between 1974-75 and 1976-77 tapioca imports rose from 1.6m tonnes to 3.4m tonnes and are estimated to have reached 3.95m in the past year.

The price advantage of tapioca over grains would remain, even if prices rose beyond present levels, and the main curb on its use was supply, he said.

Statistics indicate that production in Thailand could rise as much as 25 per cent by 1980.

Mr. Williamson said EEC policy on protein substitutes was based on free entry for soya but would include efforts to stimulate Community production, for example, of dehydrated fodder, and for peas and beans as incorporated in the recent Mediterranean package.

The Commission also planned to step up programmes to encourage the use of dairy products for fodder, both from its stockpile of skimmed milk powder and through schemes bypassing intervention.

Commission sources in Brussels say some proposals might be included in an overall review of the dairy sector later this year. This will probably mean even larger subsidies for livestock producers, since the Commission is committed to a policy of cheap animal feeds.

Mr. Williamson said that the Commission had rejected suggestions that feed costs should be increased temporarily to restrain over-production in livestock sectors, specifically in milk production.

"We remain committed to reconciling two difficult tasks—the restitution and maintenance of a balanced market for products in structural surplus, particularly milk, and pursuit of an economic animal feed policy."

Lower world cotton crop

WASHINGTON, June 8.

WORLD COTTON output could decline in 1978-79, depending on final plantings and growing conditions, from the 63.9m bales (480 lb net) produced this season, the U.S. Agriculture Department reported.

The Department's Foreign Agricultural Service has forecast 1978-79 world production of 59m to 65m bales.

Reuter

Stocks delay butter price rise

By Richard Mooney

BRITISH CONSUMERS have not yet been affected by the £16 a tonne cut in the subsidy on retail butter prices which came into effect on May 22. But prices are expected to start to rise by the end of this month.

The subsidy has been reduced by five European units of account nominally worth about £30 at current levels but the reduction coincided with the devaluation of the Green pound, which reduced the effect of the cut by about half.

The £16 subsidy cut will add less than 1p a lb to the retail price. But further cuts at the beginning of July and the end of the year will add another 2.7p a lb. In the meantime the 7½ per cent Green Pound devaluation and the 2 per cent rise in the intervention price will have added a further 7p a lb. A half-pound packet of butter could therefore cost 36-37p by the end of the year.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Easier in quiet trading on the London Metal Exchange. After falling heavily to £768 in late inter-office trading on Wednesday evening forward metal opened at £770 and edged up to £[illegible] on modest short covering. In the afternoon a steady opening on Comex was followed by a downturn there and forward metal dipped to £765 prior to closing at £770, after touching £772. Turnover 33,375 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	760.5-50	-12.5	760.5-60.5	-7
3 months	770.5-1	-11.5	771.5	-6
Settl'm'nt	760	[illegible]		
Cathodes				
Cash	744-.5	-10	742-3	-8
3 months	764-.5	-10	763-4	-7
Settl'm'nt	744.5	-10.5	—	
U.S. Smt.	—		*66.5-68	

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £760, 60.5, three months £768, 69.5, 69, 70, 71, 70.5, 71. Cathodes, cash £743, 43.5, 44. Kerb: Wirebars, three months £771.5, 72, 72.5. Afternoon: Wirebars, three months £769, 68, 69.5, 69, 69.5, 71, 71.5. Kerb: Wirebars, three months £772, 71, 70, 69.5, 70.

TIN—Marginally higher. Forward metal opened only slightly easier at £6,540 despite the sharp fall in the Penang price and subsequently lifted to £6,600 following good physical demand and fresh buying. The easing in the nearby supply situation widened the back to £90 at this point. In the afternoon values moved further ahead with forward metal touching £6,620 prior to closing at £6,615 on the late kerb. Turnover 1,760 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6735-50	+10	6725-35	-25
3 months	6605-25	+5	6620-30	+35
Settlem't	6750	+15	—	
Standard				
Cash	6685-.5	-20	6585-95	+10
3 months	6585-90	-1	6605-10	+37.5
Settlem't	6685	-20	—	
Straits E.	$1671	-34	—	
New York	—			

Morning: Standard, cash £6,680, 90, three months £6,550, 40, 50, 60, 70, 80, 90, £6,600, £6,595. Kerb: Standard, three months £6,590, 80, 90. Afternoon: Standard, cash £6,715, £6,690, three months £6,590, £6,600, 05, 10, 20, 15, 10, 05, £6,600, 05. Kerb: Standard, three months £6,600, 05, 10, 20, 15, 10.

LEAD—Slightly easier in subdued trading. After easing to £[illegible] on the pre-market reflecting the sharp reversal in copper on Wednesday evening forward metal hardened to £327.5 in the morning [illegible]

[illegible]

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
ATT	$55	7¼	—	7½	—	7¾	—	$61⅞
ATT	$60	2½	—	3¼	—	5½	—	..
ATT	$65	¼	—	¾	—	1½	—	..
Citicorp	$20	5	—	[illegible]	—	[illegible]	—	$24⅞
Citicorp	$25	½	—	1	—	[illegible]	2	..
E. Kodak	$40	17½	—	17¼	—	18	—	$57½
E. Kodak	$45	12½	—	13½	—	13¾	—	..
E. Kodak	$50	8	—	8½	6	9¼	—	..
E. Kodak	$60	1⅝	—	3½	1	4⅜	—	..
Exxon	$40	7½	—	7¾	—	8¼	—	$47⅞
Exxon	$45	3⅛	—	4¼	—	4⅝	—	..
Exxon	$50	⅜	—	1⅝	—	2⅛	—	..
[illegible]								

[illegible]

COCOA

Prices rose initially with shortcovering until renewed producer selling stemmed the rally, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

GRAINS

[illegible]

SILVER

[illegible]

JUTE

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on June 8. GB—Cattle 70.81p a kg.l.w. (-0.47). UK—Sheep 150.3p a kg.est.d.c.w. (-6.4). GB—Pigs 56.3p a kg.l.w. (-1.9). England and Wales—Cattle down 16.2 per cent, average price 70.24p (-0.01). Sheep down 7.1 per cent, price 149.9p (-1.9). Pigs no change, price 56.5p (-1.9). Scotland—Cattle down 20.6 per cent, price 70.92p (+0.19). Sheep up 1.2 per cent, [illegible]

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

UK AGRICULTURAL AID TO KENYA

NAIROBI, June 8.

The British Government has given grants worth £2.5m to assist Kenya in a major soil conservation programme.

Equipment including 43 crawler tractors, bulldozers and rippers, five 130 hp motor graders, 17 Land-Rovers, and diesel water tankers and lorries, was handed over this week to the Kenyan Ministry of Agriculture by Mr. Ted Rowlands, Minister of State in the Foreign and Commonwealth Office, who is on a tour of Kenya.

"We are going all out to reach the small-scale farmers and assist them in the fight against soil erosion," said Mr. Jeremy Nyagah, Kenyan Minister of Agriculture.

INDICES

FINANCIAL TIMES

June 8	June 7	Month ago	Year ago
249.80	250.61	242.71	257.46

(Base: July 1, 1952=100)

REUTER'S

June 8	June 7	Month ago	Year ago
1522.8	1525.2	1455.7	1625.0

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	June 8	June 7	Month ago	Year ago
Spot	358.66	359.10	357.77	415.30
Future	352.46	355.34	341.42	405.82

(Average 1924-25-26=100)

MOODY'S

Moody's	June 8	June 7	Month ago	Year ago
Spot Commodity	921.4	—	908.6	903.1

(December 31, 1931=100)

★

GRIMSBY FISH—Supply good and demand good. Prices per stone at ship's side (unprocessed): Shelf cod £4.00-£5.20, codlings £2.50-£3.00; large haddock £4.00-£4.80, medium £3.30-£4.00, small £2.00-£2.80; large plaice £4.70-£5.00, medium £4.00-£4.70, best small £3.40-£4.00; skinned dogfish, large £8.80, medium £6.00; lemon soles, large £6.00, medium £5.00; rockfish £1.80-£2.20; reds £1.50-£2.00; saithe £1.40-£1.80.

★

PALM OIL, London. Closing June, July and Aug. 300.00-30.00. Sept. 290.00-330.00, Oct. 290.00-320.00, Nov. 290.00-315.00, Dec. 290.00-310.00, Jan. and Feb. unquoted. Sales: nil.

U.S. Markets

Precious metals higher

NEW YORK, June 8.

PRECIOUS METALS rallied on trade and commission-house buying following strong demand at the monthly IMM gold auction. Copper closed higher on trade [illegible] buying and local short covering. Sugar finished higher on light trade price fixing. Coffee finished lower on continued speculative liquidation following reports of no frost damage to the Brazilian crops, Bache reports.

Cocoa—July 132.00 (134.50), Sept. 129.80 (130.60), Dec. 125.00, March 122.00, May 120.?0, July 119.25, Sept. 117.90. Sales, 633 lots.

Coffee—"C" Contract: July 170.50 (173.00), Sept. 165.00-167.00 (169.00), Dec. 156.25-156.50, March 149.50 asked, May 145.50 asked, July 145.15 asked, Sept. 140.75 asked. Sales: 800 lots.

Copper—June 63.40 (63.00), July 63.90 (63.30), Aug. 64.40, Sept. 64.90, Dec. 66.60, Jan. 67.10, March 68.10, May 69.10, July 70.10, Sept. 71.10, Dec. 72.60, Feb. 73.00, March 74.00. Sales: 7,600 lots.

Cotton—No. 2: July 59.75 (59.40), Oct. 62.00 (62.20), Dec. [illegible]-61.00, March 64.55, May 65.20-65.40, July 66.00-66.25, Oct. 65.75-66.25. Sales: 4,250 lots.

*Gold—June 182.00 (180.70), July 182.90 (181.60), Aug. 184.00, Oct. 186.70, Dec. 189.50, Feb. 192.30, April 195.20, June 198.20, Aug. 201.20, Oct. 204.20, Dec. 207.20, Feb. 210.20, April 213.10. Sales: 7,144 lots.

†Lard—Chicago loose 22.50 (same). NY prime steam 24.00 (23.50).

‡Maize—July 257-256 (256), Sept. 259-259 (257), Dec. 262-261½, March 268½-268¼, May 272, July 273¼.

§Platinum—July 249.50-248.00 (240.20), Oct. 244.70-246.50 (240.50), Jan. 248.00, April 250.00-250.10, July 252.50-252.50, Oct. 254.50-254.70, Jan. 256.90-257.10. Sales: 1,457 lots.

*Silver—June 527.70 (524.20), July 530.40 (527.00), Aug. 533.90, Sept. 537.50, Dec. 549.20, Jan. 553.20, March 561.40, May 569.90, July 578.20, Sept. 587.70, Dec. 601.20, Jan. 605.60, March 615.20. Sales: 6,000 lots. Handy and Harman spot bullion 526.00 (524.00).

Soyabeans—July 685-680 (682½), Aug. 675-[illegible], Sept. 646-647, Nov. 647½-646, Jan. 656-650, March 657-657, May 662-662, July 661½.

[illegible]

ART GALLERIES

CLUBS

EXHIBITIONS

PUBLIC NOTICES

WORLD STOCK MARKETS

Money supply fears cut Wall St. rise

INVESTMENT DOLLAR PREMIUM

\$2.60 to £—111¾% (113%)

Effective \$1.8250—48¾% (49¾%)

AFTER WEDNESDAY'S modest reaction on profit-taking, Wall Street resumed its upward path yesterday in very active trading. However, most of the day's advance was lost near the close, as investors began casting a wary eye towards the Federal Reserve ahead of its weekly report in the U.S. money supply.

The Dow Jones Industrial Average, after rising to 871.88, came back to 862.09, only 0.17 firmer on balance. The NYSE All Common Index finished a net 9 cents up at \$56.20, after reaching \$56.44, while gains had a mid-session lead over losses of five-to-two reduced to a respective 877 to 600 at the close. Trading volume increased to 39.38m shares from Wednesday's total of 33.06m.

Some of the late selling was attributed to a continuing decline in the dollar against major foreign currencies. However, they added that many prices were ripe for further profit-taking after the recent sharp gains.

Analysts said the market was worried that its good luck on the money figures in recent weeks could run out at any time and yesterday could be the day.

They also noted that investors will be looking for a signal from the May retail sales figures, due today to see whether recent reports of a heavy load of consumer debt will translate into a fall-off in consumer buying.

U.S. April consumer credit totalled \$222.7bn, up 17.4 per cent from a year ago, the Fed reported on Tuesday. In the absence of strong capital spending by businesses, analysts stated, consumers have been the mainstay of the economy to date.

After the market close, the Fed reported that U.S. money supply M-1 rose \$4.2bn in the latest reporting week and the broader-based M-2 measure jumped \$5.7bn.

Also after the New York stock exchange close, President Carter vowed to hold the line on the Federal Budget and called on Congress to assist his efforts.

California savings and loan companies continued to benefit from passage of a tax rollback measure on Tuesday. **Great Western Financial** added \$1 to \$28¼. **Financial Federation**, which said it has held exploratory merger talks but has reached no agreement, rose 1¾ to \$35¾, while **Financial Corporation of Santa Barbara** added ¾ to \$28¾ and **Golden West Financial** 1¼ to \$31¾.

Pacific Telephone slipped ⅛ to \$16¼ after it said it may owe the U.S. internal revenue service more than \$1bn in back taxes.

KLM Royal Dutch lost \$2 to \$80¼ despite reporting a near doubling in annual earnings.

Twentieth Century-Fox jumped 2 to \$38—it has asked the Federal Communications Commission to order Chris-Craft Industries to say whether it is seeking control of Fox. **Chris-Craft** were unchanged at \$32¼.

ICN Pharmaceuticals lost 1¾ to \$5¼ in very heavy trading—the company said dissident shareholders have sold a block of about 370,000 shares and dropped a planned proxy fight.

L. E. Myers gained 1¼ to \$12¼ on a favourable research report, while active **Gulf and Western** added ¾ to \$15¾ on raising its dividend and reporting better third-quarter earnings.

Teledyne jumped 5¾ to \$113¾, **Du Pont** 1¾ to \$121¾, **IBM** 2¾ to \$268 and **Burroughs** 1¼ to \$77¾.

THE AMERICAN SE Market Value Index strengthened 1.51 to 149.10 in very heavy volume of 3.69m shares, resisting the late reactionary trend on the NYSE.

Research-Cottrell, however, came under heavy selling pressure when the U.S. Occupational Safety and Health Administration cited the company for safety violations in the collapse of a scaffolding at a cooling tower construction site in West Virginia that took 51 lives. The stock tumbled 3¼ to \$23.

Canada

Share prices were inclined to move higher in the busiest trading in more than a month, the Toronto Composite Index rising 2.1 to a new high for the year of 1145.5. The Oil and Gas index, spurred by news of a discovery in the West Pembina area of Alberta, jumped 31.9 to 1392.2, its largest day's gain since December 1, 1977. Golds picked up 9.3 more to 1368.9 and Utilities 0.49 to 175.77, but Banks reacted 1.02 to 280.58 and Metals and Minerals 10.0 to 982.4.

Pacific Petroleum, which reported the West Pembina oil find, rose ¾ to \$35¼. **Husky Oil** were up 4¾ to \$33¾ before being halted shortly after the opening, pending contact with the company.

Tokyo

Stock prices showed a firming tendency in another moderate business on selective demand. The Nikkei-Dow Jones Average gained 14.29 to 5,304.72 on volume of 310m shares (300m).

Electricals rose, led by **Mitsumi** which gained Y39 to Y705, reflecting increased domestic demand for electronic parts. **Alps Electric** climbed Y40 to Y1,110, **Victor of Japan** Y70 to Y1,320 and **TDK Electronics** Y40 to Y2,050. **Sony** were unchanged at Y1,780, although **Matsushita Electric** hardened Y2 to Y718.

Firm Breweries had **Sapporo Brewery** up Y4 at Y275, while Textiles and Chemicals improved on the recovery in domestic commodity markets.

Other bright sectors included Photo Films, Non-ferrous Metals, Real Estates and Heavy Electricals, with **Konishiroku** advancing Y13 to Y667 and **Takeda** Y16 to Y392.

Teikoku Oil, however, came back Y18 to Y405 after the recent speculative advance. Other Petroleums also declined, while Machine Tools were lower on profit-taking. Vehicles and Cameras were mixed in limited trading.

Germany

Shares continued to gain ground.

Among Motors, **BMW** moved ahead DM 4.50 more and **Volkswagen** added DM 2.10, while in Electricals, **AEG** put on 80 pfennigs more.

Banks were led higher by **Commerzbank**, which gained DM 1.30, **Karstadt** hardened DM 1.50 in Stores, while elsewhere **Degussa** advanced DM 2.80.

Public Authority Bonds sustained further losses extending to 50 pfennigs. The Bundesbank bought DM 11m (DM 28.3m) nominal of paper. Mark Foreign Loans, however, were steady.

Paris

Bourse prices suffered a reaction yesterday following the recent rising trend.

Most sectors were lower, although Banks, Foods and Chemicals recorded irregular movements.

Peugeot Citroen retreated 10.8 to FFr 364.2, with news of the signing of a FFr 1.6bn contract to build a transmission plant in East Germany having little impact on trading.

Michelin "B" receded 28 to FFr 1,407 and **Kleber** also weakened—the rubber industry leaders have forecast that French tyre prices will rise 5 per cent within three months.

Hong Kong

Market rose sharply for the eighth consecutive session in active trading, pushing the Hang Seng index forward 11.06 points more to 505.28, its highest level since end-1973.

Across-the-board gains included **Jardine Matheson**, up 20 cents at HK\$14.10, **Hutchison Whampoa**, 22.5 cents higher at HK\$5.20, and **Hong Kong Land**, 30 cents stronger at HK\$8.50.

China Light put on 20 cents to HK\$25.20, while **Cheong Kong**, HK\$7.25, and **Jardine Securities**, HK\$7.20, moved ahead 15 cents apiece. **Hong Kong Wharf** advanced 40 cents to HK\$21.90 in large volume, while **Hong Kong Electric** and **Hong Kong Hotels** gained 10 cents each to HK\$5.10 and HK\$15.30 respectively.

Johannesburg

Gold shares improved afresh in fairly light trading, helped by the Anglo Vaal and Genmin groups' dividends and the firmer bullion market. **Buffels** rose 70 cents to R 18.80, and **Vaal Reefs** gained 50 cents to R 22.50.

Australia

Minings remained easier-inclined, although a notable exception was **Western Mining**, which advanced 7 cents to A\$1.43 after announcing a very rich copper field at Benambra, in Victoria. **Bougainville Copper** picked up 3 cents to A\$1.33, but **MIM** came back 5 cents more to A\$2.18.

THURSDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
ICN Pharmaceuticals	822,300	5¼	−1¾
Firestone Tire	452,000	13¾	−⅛
Kaufman and Broad	371,300	8½	+¼
Westinghouse Elec.	355,600	22	+¼
Fannie Mae	279,900	17¾	+⅛
Hughes Tool	272,300	35¾	−1¾
Exxon	260,000	47¾	−⅛
Gulf and Western	258,000	15¾	−⅛
Planning Research	226,200	7¼	−⅛
Sambo's Restaurants	219,300	20¼	+⅛

NEW YORK

[illegible]

CANADA

[illegible]

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ▽ Ptas 500 denom. unless otherwise stated. ♣ Kr 100 denom. unless otherwise stated. ◆ Frs 500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. \$ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. △ Interim since increased.

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

MONTREAL / TORONTO / JOHANNESBURG

[illegible]

WEDNESDAY'S ACTIVE STOCKS

[illegible]

GERMANY ◆

June 8	Price Dm.	+ or −	Div. %	Yld. %
AEG	85.6	+0.8	—	—
Allianz Versich.	474.0		20	1.9
BMW	243	+4.5	28.08	5.8
BASF	140.4	−0.3	18.78	6.7
Bayer	140.1	−0.1	18.75	6.7
Bayer. Hypo	276.5	+1.5	28.12	5.1
Bayer. Vereinsbk.	310	+4	18	2.9

[illegible]

TOKYO ¶

June 8	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	333	−4	14	2.1
Canon	470	+6	12	1.3
Casio	618	+28	25	4.0
Chinon	457	−3	20	3.0
Dai Nippon Print	541	−1	18	1.7
Fuji Photo	578	+16	16	1.3
Hitachi	249	+1	12	2.4

[illegible]

AUSTRALIA / OSLO / BRAZIL / JOHANNESBURG / AMSTERDAM / BRUSSELS/LUXEMBOURG / SWITZERLAND / COPENHAGEN / PARIS / STOCKHOLM / MILAN / VIENNA / SPAIN

[illegible]

COMPANY NOTICES

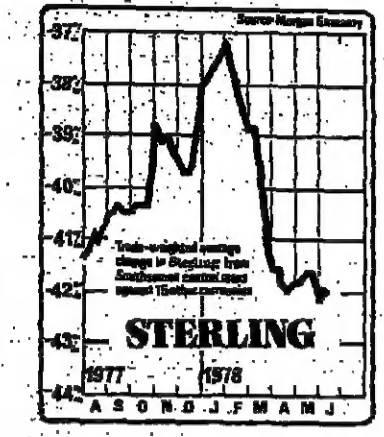
هكذا من الأصل

Currency, Money and Gold Markets

Sterling and the dollar quiet

Trading remained generally subdued in yesterday's foreign exchange market and sterling's trade weighted index, which is calculated by the Bank of England, remained unchanged throughout at 61.2. The pound opened at $1.8210-1.8220 in terms of the U.S. dollar and rose to $1.8240-1.8250 around mid-morning. The Bank of England's decision to increase MLR and reintroduce corset restrictions had already been half expected by the market. Nevertheless, sterling improved to $1.8270-1.8280 after the announcement before closing slightly off the top at $1.8245-1.8255, a rise of 20 points on Wednesday's close.

Forward sterling was correspondingly wider, reflecting the 1 per cent increase in MLR. The three-month discount against the dollar finished at 1.52 cents against 1.63 cents and the six-month 3.55 cents from 3.23 cents.



The U.S. dollar appeared to be much steadier than earlier this week, closing more or less unchanged on balance but showing a weaker tendency against the West German mark at DM 2.0855 from DM 2.0885. The Swiss franc also improved in dollar terms to SwFrs 1.8960 against SwFrs 1.9075 having seen SwFrs 1.8882½ at one point. On Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation widened to 5.5 per cent from 5.3 per cent and using Bank of England figures, the dollar's index fell to 89.3 against 89.4 on Wednesday.

TOKYO—Trading was generally dull was the dollar closing at Y220.95 compared with Y221.25 on Wednesday. The U.S. currency opened at Y221.1 and drifted to a low of Y220.6. With little interest being shown, indications point towards a continuation for the rest of the week of yesterday's quiet conditions. Market volume was a moderate $397m in spot turnover and $715m in combined forward and swap trading.

PARIS—The dollar lost ground in terms of the French franc in light trading, without any significant news to affect the two currencies. At the end of trading the dollar had fallen to FFr 4.5960, from FFr 4.60 earlier in the day, and FFr 4.6137½ late on Wednesday. The announcement of measures to curb the growth in UK money supply pushed the pound up to FFr 8.4, from an early level of FFr 8.3875, and FFr 8.3950 previously. The Swiss franc was firm, rising to FFr 2.4230 from FFr 2.4150 early, and FFr 2.4057½ on Wednesday. The D-mark finished at FFr 2.2040, against FFr 2.2055 in the morning, and FFr 2.2037½ previously.

FRANKFURT: The U.S. currency showed mixed changes compared with its fixing and early New York levels, against other major currencies. It was quoted at DM2.0811, compared with the New York opening rate of DM 2.0827, and a fixing level of DM 2.0857. Sterling eased slightly to DM 3.0845 from a fixing level of DM 3.8070, despite the rise in UK interest rates, while the Swiss franc continued to improve, finishing at DM1.1003, compared with DM1.0941 on Wednesday.

THE POUND SPOT / FORWARD AGAINST £

June 8	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	7	1.8205-1.8280	1.8245-1.8255	0.70-0.60c. pm	4.27	1.62-1.77 c. pm	3.93
Canadian $	8½	2.0380-2.0460	2.0400-2.0410	0.70-0.30c. pm	2.82	1.95-1.85c. pm	3.72
Guilder	4	4.06-4.09	4.07½-4.08½	3-2 c. pm	7.34	8-7 c. pm	7.35
Belgian Fr.	6½	59.35-59.80	59.45-59.55	40-30 c. pm	7.08	100-90 c. pm	6.38
Danish Kr.	9	10.28-10.35	10.31½-10.32½	3¼-5¼ ore dis	-4.53	7-9 ore dis	-3.10
D-Mark	3	3.79½-3.82½	3.80½-3.81½	3⅛-2⅛ pf pm	8.28	8⅝-7⅝ pf pm	6.85
Port. Esc.	18	83.10-84.00	83.15-83.85	25-125 c. dis	-10.70	100-500 c. dis	-14.35
Span. Pes.	8	145.50-145.65	145.50-145.60	65-115 c. dis	-6.18	160-260 c. dis	-5.22
Lira	11½	1,567-1,574	1,571-1,572	1 lire pm-2 dis	-0.12	par-3 lire dis	-0.49
Nrwgn. Kr.	7	9.85½-9.88½	9.86½-9.87½	1-5 ore dis	-2.42	2½-4½ ore dis	-1.42
French Fr.	9½	8.37½-8.40½	8.39-8.40	2¼-1¼ c. pm	2.50	6¼-4¼ c. pm	2.02
Swedish Kr.	7	8.43-8.47	8.45½-8.46½	1½ ore pm-½ dis	0.71	5½-3½ ore pm	2.01
Yen	3½	400-410	403½-404½	3.55-3.05y. pm	9.62	9.25-8.95y. pm	9.02
Austria Sch.	3½	27.27-27.42	27.30-27.40	15-5 gro pm	4.40	32-22 gro pm	3.95
Swiss Fr.	1	3.45-3.48½	3.45½-3.46½	3½-2½ c. pm	9.98	8¼-6¼ c. pm	10.54

Belgian rate is for convertible francs. Financial francs 59.60-59.50.

Six-month forward dollar 3.60-3.50c pm. 12-month 6.40-6.30c pm.

THE DOLLAR-SPOT / FORWARD AGAINST $

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	89.29-89.37	89.29-89.32	0.03-0.01c dis	-0.26	0.07-0.05c dis	-0.26
Guilder	2.2305-2.2340	2.2305-2.2315	0.61-0.56c pm	3.14	1.91-1.86c pm	3.30
Belgian Fr	32.59-32.61½	32.59-32.60½	8-7c pm	2.80	20-18.5c pm	2.36
Danish Kr	5.6475-5.6570	5.6510-5.6525	—		—	
D-Mark	2.0820-2.0872	2.0820-2.0830	0.77-0.72pf pm	4.05	2.46-2.41pf pm	4.56
Port. Es	—	45.60-45.80	—		—	
Lira	860.60-861.15	860.95-861.15	3.10-3.40lire dis	-4.60	9.5-10.25lire dis	-4.53
Nrwgn. Kr	5.4070-5.4165	5.4070-5.4080	—		—	
French Fr	4.5920-4.6030	4.5920-4.5960	0.65-0.75c dis	-1.69	2.05-2.25c dis	-1.87
Swedish Kr	4.6220-4.6365	4.6220-4.6230	—		—	
Yen	220.30-220.70	220.50-220.70	9.8-8.8y pm	4.90	28.5-27.5y pm	5.01
Austria Sch	—	14.987-14.992	—		—	
Swiss Fr	1.8975-1.9045	1.8985-1.8995	1.08-1.03c pm	6.65	3.22-3.17c pm	6.56

* U.S. cents per Canadian $.

CURRENCY RATES

	Special Drawing Rights June 7	European Unit of Account June 7
Sterling	0.671368	0.674710
U.S. dollar	1.22377	1.22987
Canadian	1.37234	1.37681
Austria sch	18.3902	18.4735
Belgian franc	39.9867	40.1891
Danish krone	6.92470	6.95789
Deutschem'rk	2.55841	2.57047
Dutch guilder	2.73757	2.76173
French franc	5.64127	5.66885
Italian lira	1054.58	1059.76
Japanese yen	270.453	271.732
Norway krone	6.63406	6.66100
Spain peseta	97.8013	98.2679
Swedish krone	5.67621	5.70301
Swiss franc	2.33716	2.34758

CURRENCY MOVEMENTS

June 8	Bank of England Index	Morgan Guaranty changes %
Sterling	61.21	-42.0
U.S. dollar	89.33	-5.5
Canadian dollar	86.05	-12.8
Austrian schilling	142.40	+19.4
Belgian franc	111.46	+13.1
Danish krone	115.83	+6.5
Deutsche Mark	141.62	+36.3
Swiss franc	181.91	+74.8
Guilder	121.55	+18.9
French franc	98.09	-4.9
Lira	56.62	-46.8
Yen	134.74	+33.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

	£	$		£ Notes Rate
Argentina Peso	1,423-1,427	779¾-782	Austria	27-28¼
Australia Dollar	1.6011-1.6173	0.8785-0.8865	Belgium	59-60½
Finland Markka	7.82-7.83	4.2860-4.2880	Denmark	10.23-10.38
Brazil Cruzeiro	31.71-32.71	17.37-17.92	France	8.30-8.45
Greece Drachma	67.130-68.790	36.78-37.70	Germany	3.70-3.85
Hong Kong Dollar	8.4800-8.5050	4.6560-4.6580	Italy	1630-1690
Iran Rial	125-131	68½-71¾	Japan	400-410
Kuwait Dinar (KD)	0.499-0.509	0.2734-0.2790	Netherland	4.00-4.15
Luxembourg Franc	59.45-59.55	32.60-32.62	Norway	9.80-10.00
Malaysia Dollar	4.3505-4.3640	2.3880-2.3900	Portugal	77-85
New Zealand Dollar	1.7893-1.8074	0.9818-0.9905	Spain	143-146
Saudi Arabia Riyal	6.23-6.33	3.41-3.47	Switzerland	3.40-3.55
Singapore Dollar	4.2415-4.2550	2.3285-2.3295	United States	1.82-1.84
South African Rand	1.5749-1.5997	0.8630-0.8765	Yugoslavia	34-37

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

June 8	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.825	3.810	403.5	8.395	3.463	4.080	1572.	2.041	59.60
U.S. Dollar	0.548	1.	2.088	221.1	4.600	1.897	2.236	861.1	1.118	32.60
Deutsche Mark	0.262	0.479	1.	105.9	2.203	0.909	1.071	412.5	0.536	15.62
Japanese Yen 1,000	2.478	4.523	9.442	1000.	20.81	8.581	10.11	3895.	5.057	147.5
French Franc 10	1.191	2.174	4.538	480.6	10.	4.124	4.860	1872.	2.431	70.88
Swiss Franc	0.289	0.527	1.100	116.5	2.425	1.	1.178	453.9	0.589	17.18
Dutch Guilder	0.245	0.447	0.934	98.90	2.058	0.849	1.	385.2	0.510	14.58
Italian Lira 1,000	0.636	1.161	2.424	256.8	5.342	2.203	2.596	1000.	1.298	37.86
Canadian Dollar	0.490	0.894	1.867	197.7	4.114	1.697	2.000	770.2	1.	29.16
Belgian Franc 100	1.681	3.067	6.403	678.2	14.11	5.819	6.857	2641.	3.429	100.

EURO-CURRENCY INTEREST RATES*

June 8	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	12¾-13	7-8	7⅛-7¾	4¼-4½	⅛-⅜	3⅛-3⅜	9¾-10	0.10-0.44	—	⅛-2⅛
7 days notice	11¾-12¾	7-8	7½-7¾	4⅛-4½	⅛-⅜	3⅛-3⅜	9¾-10	0.33-0.56	7⅝-7¾	1⅝-2⅜
Month	10⅞-11¼	7⅝-8	7⅝-7⅞	4⅜-4⅝	1-1⅛	3⅜-3⅝	9⅛-9¾	0.41-1.00	7⅞-7⅞	2½-2⅞
Three months	11¾-12	8⅛-8½	7⅞-8⅛	4⅜-4⅝	1¼-1⅜	3⅜-3⅝	9¾-10	0.60-3.00	8-8⅛	2⅞-3¼
Six months	12⅜	8⅜-8¾	8⅜-8⅝	5-5¼	1⅛-1⅜	3½-3⅝	10⅛-10⅜	7-11	8⅛-8⅜	3⅜-3⅝
One year	12¼-12¾	8⅝-8⅞	8	5⅜-5⅝	1⅛-2⅛	3⅛-3⅜	10¾-11	27-37	8⅛-8⅜	3⅛-4⅛

The following nominal rates were quoted for London dollar certificates of deposit: One month 7.60-7.70 per cent; three months 7.90-7.90 per cent; six months 8.20-8.30 per cent; one year 8.50-8.60 per cent.

Long-term Eurodollar deposits, two years 8⅜-8⅝ per cent; three years 8⅝-8⅞ per cent; four years 8⅞-9⅛ per cent; five years 9-9¼ per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two-days' notice for guilders and Swiss francs.

Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Paris rates steady

Interest rates were generally steady in the Paris money market yesterday, with day-to-day funds slightly firmer at 7⅝ per cent, compared with 7½ per cent previously. Call money has remained between 7½ per cent and 8 per cent for the past three weeks, the lowest level for nearly two years, but this has not yet produced any reduction in commercial banks base rates. These have stood at 9.3 per cent since last September, although a small cut has been expected for about six weeks.

Last week M. Rene Monory, Economics Minister, said a cut in Base rates could be expected this month, probably between 0.3 and 0.5 of a point. He reiterated this yesterday, saying that the rate will be cut soon.

The foreign currency reserves of the Bank of France rose by FFr 532m to FFr 26.161bn in the week ended June 1. The reserves have risen by FF 2.6bn in the past four weeks, and FFr 4.8bn since the beginning of the year. Foreign liabilities increased, however, by FFr 247m to FFr 1.030bn during the week ended June 1, while deposits by foreign banks declined by FFr 25m to FFr 1.459bn.

Frankfurt: German interbank money market rates were unchanged, from call money at 3.5 per cent to six-month funds at 3.75 per cent.

Brussels: deposit rates for commercial francs were: call 4-5 per cent; one-month 5⅜ per cent; six-month 5⅞ per cent, and 12-month 7½ per cent.

New York: Bankers acceptance offered rates all unchanged at 30 days 7.20 per cent; 60 days 7.30 per cent; 90 days 7.40 per cent; 120 days 7.5 per cent; 150 days 7.60 per cent; and 180 days 7.70 per cent.

High-grade commercial paper sold through dealers rose to 7.45 per cent from 7.35 per cent for 30 days; to 7.55 per cent from 7.45 per cent for 60 days, and to 7.65 per cent from 7.60 per cent for 90 days.

Federal funds were 7⅞-7½ per cent, compared with 7½ per cent on Wednesday.

Hong Kong: Money market rates remained easy, with call money falling to 5¼ per cent from 5½ per cent, and overnight trading easing to 5 per cent from 5¼ per cent.

Manila: All rates unchanged, with 30-day maturities at 9-12¼ per cent; 60-day 9½-12½ per cent; 90-day and 120-day 10-13 per cent. Philippine Treasury bills (90-day discount) 11 per cent.

GOLD

Late fall

General reaction to the IMF auction proved favourable at which the average price per ounce was $183.09 with a range of $182.86-183.92. Gold was fixed during the morning at $183.40 but eased at the afternoon fixing to $182.60 which tended to reflect conditions in New York and possible over reaction prior to the auction. The metal opened at $183-183½ but by the close had eased in moderately active trading to $182¾-183, a loss of $¾. Nevertheless sentiment received another boost from a report by bullion dealers Sharps Pixley that the price of gold would eventually break through 1974 levels and reach over $200 an ounce.

	June 8	June 7
Gold Bullion (a fine ounce)		
Close	$182¾-183	$182¾-183¾
Opening	$183-183½	$182-182¾
Morning fixing	$183.40 (£100.682)	$182.35 (£100.060)
Afternoon fixing	$182.60 (£100.050)	$182.85 (£100.346)
Gold Coins domestically		
Krugerrand	$188½-190½ (£103½-104½)	$187½-189¾ (£103-104)
New Sovereigns	$53½-57½ (£29½-30½)	$52½-54½ (£29-30)
Old Sovereigns	$55½-57½ (£30½-31½)	$55½-57½ (£30½-31½)
Gold Coins internationally		
Krugerrand	$187½-188¾ (£103-104)	$187½-189¾ (£103-104)
New Sovereigns	$52½-54½ (£28¾-29¾)	$52½-54½ (£29-30)
Old Sovereigns	$55½-57½ (£30½-31½)	$55½-57½ (£30½-31½)
$20 Eagles	$275½-278½	$275½-278½
$10 Eagles	$131-134	$133-137
$5 Eagles	$97½-100½	$98-103

UK MONEY MARKET

Minimum Lending Rate 10%

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

The Bank of England increased Minimum Lending Rate by 1 per cent to 10 per cent yesterday and at the same time re-introduced corset restrictions on bank lending. Consequently, interest rates were quoted at very wide spreads with the shorter periods tending to show a greater increase. Discount houses buying rates for three-month Treasury bills rose to 9¾-9⅞ per cent, reflecting the defensive nature of the market ahead of today's Treasury bill tender, and also hovering around the level which would have produced a still higher rate of 10¼ per cent for MLR under the recently abandoned market related formula.

Day-to-day credit appeared to be in adequate supply and the authorities did not intervene. The market was helped by a fall in the note circulation and an excess of government disbursements over revenue transfers to the Exchequer, as well as banks bringing forward balances slightly above target. On the other hand, there was some settlement of gilt-edged stock sold on Wednesday.

Discount houses paid around 8 per cent for secured call loans at the start and rates increased to 9¼ per cent in places. However, closing balances were taken between 8 per cent and 8½ per cent.

In the interbank market overnight loans opened at 8¼-8¾ per cent and eased to 8-8½ per cent in generally dull conditions. After lunch a brief flurry pushed the rate up to 9-9½ per cent before easing back to 8-8½ per cent. However late demand saw closing balances taken at 9-10 per cent.

Rates in the table below are nominal in most cases.

LONDON MONEY RATES

June 8 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-9	—	—	—	8¼	7½-9½	—	—	—
2 days notice	—	—	8⅞-8⅜	—	—	—	—	—	—	—
7 days or 7 days notice	—	9⅞-10⅛	8½-8⅝	—	8¾-9	8¾	7⅞-9	—	—	—
One month	10-9⅞	9⅞-10	8⅞-9	9⅝-9¾	10	9⅜	9¼-9⅝	9⅛-9¾	9¾-10	10¼
Two months	9⅞-9⅞	9⅞-10	—	9½-9⅝	10	—	9¼-9½	9¾-9⅞	9¾-10	10¼
Three months	9⅞-9⅞	10-10⅛	9¼-9½	9⅝-9⅞	10-10⅛	—	9⅝	9¾-9⅞	9¾-10	10½
Six months	10⅛-10	10⅜-10½	9¾-10⅛	9⅞-9⅞	10⅜-10¾	—	—	—	9¾-10	10⅛
Nine months	10⅛-10⅛	10⅛-10⅜	—	9¾-10⅛	10⅝-11	—	—	—	—	—
One year	10¼-10⅛	10⅛-10⅝	10¼-10½	9⅞-10¼	10⅞-11⅛	—	—	—	—	—
Two years	—	—	11	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 11¾ per cent; four years 12¼ per cent; five years 12¼-12¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9¾-10 per cent; four-month trade bills 10¼ per cent.

Approximate selling rates for one-month Treasury bills 9 13/32-9 9/16 per cent; two-month 9 7/16-9⅝ per cent; and three-month 9 15/32-9⅝ per cent. Approximate selling rate for one-month bank bills 9¾-9⅞ per cent; and two-month 9¾-9 9/16 per cent; and three-month 9⅝ per cent. One-month trade bills 10¼ per cent; two-month 10¼ per cent; and also three-month 10⅛ per cent.

Finance House Base Rates (published by the Finance Houses Association) 8½ per cent from June 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice [illegible] per cent. Clearing Bank Base Rates for lending 9 per cent. Treasury Bills: Average tender rates of discount 8.5728 per cent.

MONEY RATES

NEW YORK

Prime Rate	8.5
Fed. Funds	7.5
Treasury Bills (13-week)	6.62
Treasury Bills (26-week)	7.10

GERMANY

Discount Rate	3
Overnight	3.5
One month	3.55
Three months	3.65
Six months	3.75

FRANCE

Discount Rate	9.5
Overnight	7.625
One month	7.75
Three months	7.875
Six months	8.125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.875

STOCK EXCHANGE REPORT

Gilt-edged advance after credit squeeze measures —but shares down with index 5.6 off at 469.3

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
May 30	Jun. 8	Jun. 9	Jun. 20
Jun. 12	Jun. 22	Jun. 23	July 4
Jun. 26	July 6	July 7	July 18

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The Treasury's announcement of measures to curb the growth of money supply gave the Gilt-edged market a belated but welcome boost to confidence and enabled the Government broker to resume sales of both the short and long tap stocks on a substantial scale yesterday. In marked contrast, leading Industrials, already on a downward path, were lowered further after the announcement but rallied to close above the worst.

Although most of the day's activity in the Funds was concentrated on the two taps, a good demand developed for other stocks, particularly in the later maturities where gains ranged to ⅞ and occasionally more. The shorts recorded rises to ½ and the FT Government Securities index rose 0.48 for a two-day gain of 0.85 to 69.68.

Leading Industrials met scattered selling in an uncertain atmosphere during the morning and the FT 30-share index was showing a loss of 7.1 at noon. This was extended further in a fall of 8.9 by 2 p.m., but a little genuine buying interest was seen at this level and the index rallied to close 5.6 down on balance. Initially, sentiment was not helped by the growing feeling that dividend controls may be retained after the end of next month. A fair number of bright spots developed, mainly in the more speculative issues, but falls in FT-quoted equities outnumbered rises by two-to-one. An improvement in the level of activity was reflected in official marking of 5,203 compared with 4,532 yesterday and 4,831 a week ago.

Gilt-edged securities were featured by sales of substantial amounts of both the short and long taps following a favourable reception to the Treasury's financial package. The short tap, Exchequer 9¾ per cent, 1982 A, was re-established at 92⅞ and a strong demand enabled the Government broker to raise the price twice to 92⅞ and 92¾ before withdrawing. Reactivated at its last operative price, the long tap, Exchequer 12 per cent 1998, was subsequently raised to 94¾ and at the close of business supplies of stock were thought to be nearing exhaustion.

Business in Traded Options picked up. From the previous day's lowest total so far of 205 contracts, yesterday's number improved to 543. ICI claimed most of the attention with 142 contracts; 82 of these were transacted in the new July 420 series, while Grand Metropolitan came a close second, recording 137 contracts as interest was enlivened by the results.

The investment dollar premium moved lower for the first time this week when, in thin trading, it drifted down to close 1¼ points off at 111¾ per cent. Yesterday's conversion factor was 0.6722 (0.6684).

Eurotherm attracted renewed demand and gained 4 to 153p, after 157p.

Home Banks lower

The reimposition of corset restrictions on bank lending came as no real surprise to the major clearing bank and prices were initially unmoved. However, the fresh 1 per cent increase in the minimum lending rate led to uncertainty concerning base lending rate levels and quotations of all the big four ended 5 down. Foreign issues, however, continued firmly. Hong Kong and Shanghai put on 6 to 293p and Bank of New South Wales advanced 8 to 570p. Kleinwort Benson declined 4 to 98p among Merchant Banks, where Brown Shipley were unmoved at 230p following the results. The fresh credit controls had little immediate effect on Hire Purchases although UDT closed a penny cheaper at 35p.

Insurances contributed to the dull trend. Sun Alliance, 8 lower at 514p, after 510p, led the retreat in Composites where Phoenix declined 6 to 244p and Guardian Royal Exchange cheapened 4 more to 216p.

Although staging a modest recovery in the late trade, Breweries still closed a few pence lower. Elsewhere, Distillers finished 5 easier at 176p, after 175p, in sympathy with the other equity leaders.

Buildings drifted lower in subdued trading and remained at depressed levels despite the partial rally elsewhere in the market. Contracting and Construction issues notably lower included Marchwiel and Taylor Woodrow which eased 4 to 306p and 380p respectively. Elsewhere, Armitage Shanks shed 2 to 65½p despite higher profits and A. Monk cheapened a like amount to 98p following the Board's rejection of Saint Piran's move for Board representation. In contrast, Brown and Jackson added 2 to 102p on further buying inquiries.

Leading Chemicals turned dull on the Government's measures to curb credit, but closed above the worst. ICI eased 3 to 387p after 385p. Fisons failed to rally and ended 8 down at 350p; the announcement that South African farmers intend to sue Fisons for £3½m in connection with damages arising from the use of pesticides came after market hours. Fears that the 165p per share offer from Tenneco may be referred to the Monopolies Commission unsettled Albright and Wilson which shed 8 to 146p, after 144p, while lower interim profits left Hickson and Welch 2 easier at 208p.

Allied Retailers bought

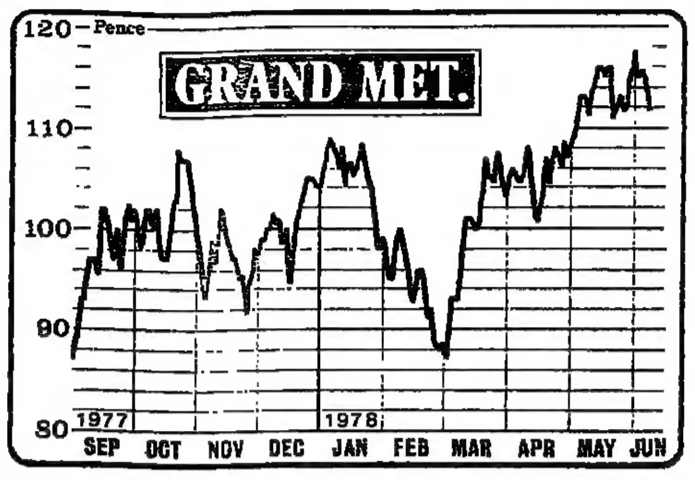
Allied Retailers provided an isolated firm spot at 263p, up 8, in easier Stores which had Marks and Spencer 3 off at 141p. Mail Orders had a couple of dull spots in Empire Stores, 5 off at 105p, and Gussies "A," 6 cheaper at 270p.

Electronic Rentals stood out in Electricals at 125p, down 6, on disappointment with the preliminary figures. Campbell and Isherwood eased 3 to 134p, while Thorn Electrical, 324p, and H. Wigfall, 212p, lost 4 apiece. Against the trend, Highland Electronics rose 4 to a 1978 peak of 34p on small buying in a restricted market.

John Brown, a further 6 down at 362p, led the retreat in the Engineering leaders. Tubes relinquished 5 to 372p and GKN 3 to a 1978 low of 254p. Hawker displayed late resilience and rallied to close unaltered at 220p, after 216p. Elsewhere, 600 Group cheapened 3 to 80p, after 79p, in reaction to the disappointing preliminary results.

Foods had the occasional dull spot. Associated Fisheries were on offer at 49p, down 4, while Associated Dairies, 230p, and Rowntree Mackintosh, 408p, shed 5 and 6 respectively. Cullen's Stores were also dull late, the Ordinary losing 6 to 110p and the "A" 4 to 108p on disappointment with the preliminary figures. Bishop's Stores fell 5 to 150p on small selling in front of today's results, but Clifford's Dairies were raised 3 to 49p.

Grand Metropolitan figured prominently in Hotels and



Caterers, closing 2 off at 112p, after 110p, on the interim figures which failed to come up to the market's best estimates. Savoy Hotel "A", a recent speculative favourite, reacted 4 to 88p, while Trust Houses Forte eased 6 to 210p.

Bath and Portland up

Although a late rally helped prices close usefully above the lowest in places, the miscellaneous Industrial leaders ended with falls ranging to 9 following the Government's credit squeeze measures. Pilkington closed that much off at 478p and Rank cheapened 6 to 250p but Beecham, having touched 638p, picked up to finish 5 easier at 645p. Glaxo closed 3 down at 575p, after 570p. Reed International, still drawing strength from brokers' favourable circulars, moved forward 2 more to 130p. Elsewhere, Bath and Portland touched 73p before closing 4 higher at 72p following speculative buying ahead of the interim results due early next month, while J. F. Nash Securities, at 125p, recorded a Press-inspired improvement of 5. Already a further 3 higher at 86p on continuing bid hopes, United Carriers were unmoved by the late afternoon disclosure that Lex Service Group had acquired a 16.48 per cent stake. Details of the dividend-boosting rights issues helped Securicor Group put on 3 to 123p, after 126p, with the "A" up 6 at 122p, and left its subsidiary Security Services 5 higher at 124p. Higher annual profits helped Dundonian harden a penny to 54p, after 55p, and further speculative buying in a thin market prompted a fresh gain of 4 to 40p in Grovebell. Still reflecting comment on the preliminary results, De La Rue advanced 8 more to 350p, and A. R. Findlay improved 3 to 38p in a thin market. By way of contrast, UKO International fell away to touch 140p following the disappointing results before closing 6 lower on the day at 152p.

Motor distributors had a mixed appearance following the buoyant May car sales figures. Heron Motor were again well to the fore, rising 8 to 135p on new-time buying in a restricted market. Pennine Motor were active and ½ harder at 8p, while T. C. Harrison, 119p, and Appleyard, 94p, put on 2 and 3 respectively. Lex Service, however, shed 2 to 80p late on the announcement that the company had agreed to purchase a block of around 2m shares in United Carriers. Elsewhere, Lucas Industries closed 3 cheaper at 312p, after 310p.

Renewed investment demand in a thin market left Associated Book Publishers up another 15 at 235p. Benn Brothers eased 4 to 87p after recent firmness on a Press mention. Speculative favourite Milist and Allen firmed 5 more to 165p on demand in a thin market and Geers Gross added a penny to 43p awaiting today's results. After Wednesday's rise of 17 on the interim results, McCorquodale reacted 20 to 270p on the dull prospect for second-half trading.

Leading Properties eased initially on the prospect of higher interest rates but a firmer bias developed in late dealings and prices closed little changed on balance. Land Securities, recently dull on the results, eased to 207p before regaining its overnight level of 209p and English Property firmed 2 to 48p on new-time buying and speculative interest. MEPC eased 2 to 122p as did Property and Reversionary A, 293p, the latter ahead of next week's figures. On the other hand, Chesterfield finished a couple of pence higher at 305p following the results.

Burmah up late

Burmah traded actively between extremes of 64p and 71p before settling at 70p, up 4 on balance, awaiting to-day's AGM. British Petroleum otuched 866p before ending marginally cheaper on balance at 870p after a late upturn on Wall Street influences. Modest offerings left Shell a couple of pence easier at 558p. Lasmo, initially 16 lower at 142p, rallied to close 4 cheaper on balance at 154p, while speculative favourites Siebens UK and Oil Exploration both succumbed to profit-taking, the former easing 8 to 250p and the latter 16 to 358p, after 350p. In cintrast, Attock responded to further speculative support and added 4 to 84p for a two day advance of 8.

Harrisons and Crosfield continued firmly in Overseas Traders, rising 12 to 478p for a two-day gai nof 25 on the preliminary statement. James Finlay contrasted with a reaction of 9 to 353p following the previous day's jump of 17 which stemmed from Press comment on the results and capital proposals. S. and W. Berisford, which report interim figures next Thursday, eased 3 to 130p.

Overseas-orientated and foreign issues continued firmly in lacklustre Investment Trusts. Jardine Securities rose 4 to a 1978 peak of 128p, while Selected Risk Investment, 450p, and U.S. Trust Fund, 880p, put on 15 and 10 respectively. Rolinco hardened ⅜ to £47⅛ and Robeco ⅛ to £62⅝. Elsewhere, New Throgmorton capital, at 109p, lost 5 of the previous day's rise of 18 which followed news of the asset revaluation. In Financials, R. Kitchen Taylor hardened 2½ to 80p for a two-day gain of 6½ on the first-half trading recovery.

Publicity given to the chairman's gloomy statement at the annual meeting brought pressure to bear on P and O deferred which fell to 91p in active trading before rallying to close only a penny cheaper on balance at 93p. Other Shippings were generally easier, but price movements were small with Furness Withy shedding 7 to 250p.

Guthrie fell away sharply and closed 22 down at 295p, after 290p, following the disappointing annual profits and accompanying bearish remarks about current-year trading.

Golds firmer again

A good performance by the bullion price, which was finally only 50 cents easier at $182.625 per ounce, after falling to $180.70 in overnight U.S. markets following the outcome of the International Monetary Fund gold auction, resulted in a further mark up of South African Golds.

Also continuing to influence market sentiment was another batch of encouraging dividend declarations, this time from the "Johnnies" group producers.

The Gold Mines index added a further 2.5 to 161.0—its highest level since March 15 and a two-day improvement of 7.1.

Still reflecting the recently announced dividend increases Hartebeest advanced a half-point more to a high of £14½, while Buffels climbed 31 to a year's high of 991p. Other issues to register substantial improvements included Bracken, 13 higher at 83½p and Ventersport, which rose 16 to 245p. Grootvlei and Marievale were both around 9 to the good at 119p and 102p respectively in front of their dividend declarations which are expected shortly.

Financials improved in sympathy with Golds. Anglo American continued to respond to renewed U.S. and Cape buying which left the shares another 8 better at 322p, after a year's high of 324p.

Charter were again in demand and touched a new high of 147p before easing fractionally to close 4 up on balance at 144p still on consideration of the results announced on Tuesday.

Platinums moved ahead strongly in the after-hours trade owing to the producer price rise to $240 an ounce announced by Rustenberg. Rustenberg themselves gained 4 to 86p, while Bishopsgate put on 6 to 86p and Lydenburg 2 to 64p.

Western Mining continued to hold the limelight in Australians, persistent sizeable buying throughout the day lifted the shares to a 1978 high of 142p before they eased a shade to close 6 higher on balance at 141p, reflecting the latest encouraging drilling results from the Benambra copper-zinc-silver prospect in Victoria.

Northern Mining recovered some of its recently lost poise with the shares rallying 8 to 109p. Other Australians to go ahead were Peko-Wallsend, 7 up at a high of 520p and North Broken Hill, 3 firmer at a high of 128p.

FINANCIAL TIMES STOCK INDICES

—	June 8	June 7	June 6	June 5	June 2	June 1	A year ago
Government Secs	69.68	69.20	68.83	68.79	69.35	69.90	67.91
Fixed Interest	71.19	70.92	70.78	70.82	71.35	71.70	68.93
Industrial Ordinary	469.3	474.9	477.7	474.5	476.5	478.2	446.8
Gold Mines	161.0	158.5	153.9	154.0	152.7	155.2	118.5
Ord. Div. Yield	5.64	5.58	5.56	5.58	5.66	5.53	5.82
Earnings Y'ld%(full)(*)	16.38	16.22	16.13	16.22	16.17	16.45	[illegible]
P/E Ratio (net)(*†)	8.16	8.24	8.29	8.24	8.27	8.19	8.09
Dealings marked	5,203	4,532	4,644	4,644	4,998	4,854	4,744
Equity turnover £m	—	72.67	66.73	55.56	67.96	68.53	68.02
Equity bargains total	—	15,015	15,076	14,322	12,595	14,374	14,659

10 am 472.8. 11 am 471.1. Noon 467.8. 1 pm [illegible]. 2 pm 466.8. 3 pm 468.7.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=8.61.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (4/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/3)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 8	June 7
—Daily		
Gilt-Edged	172.9	150.5
Industries	181.0	186.6
Speculative	53.4	38.6
Totals	118.4	103.2
5-day Av'rage		
Gilt-Edged	160.5	154.2
Industrials	166.7	165.1
Speculative	40.8	38.5
Totals	109.4	107.7

Hield Bros. looks for business upturn

The current order book at Hield Brothers will provide a satisfactory level of activity for several months Mr. A. G. Park, the chairman, says in his annual statement, but he says it is too early to express a firm view for the full year.

As reported on May 16 after a turnround from a loss to a profit in the first half, the group finished the year to April 2, 1978, with a pre-tax surplus of £650,000 against £68,000. The dividend is held at 0.745p net per share.

Mr. Park states that trade throughout the world continues in recession and textiles in general are depressed with competition keen. Hield is substantially export orientated, he says, but nevertheless it needs a satisfactory domestic trade.

Thus the impact of low cost textile imports into the UK, he says, is of grave concern.

Mr. Park feels that the recently concluded Multi-Fibre Arrangement is welcomed as a step in the right direction of saner market conditions.

While the group's view seasons fabrics and designs are being well received, he says the foregoing suggests a period of extremely keen prices until business overall moves into an upturn.

Meeting, Bradford, June 30, at noon.

FOOD PRICE MOVEMENTS

	June 8 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,090	1,000	1,090
British A.1 per ton	1,075	1,075	1,065
Irish Special per ton	1,065	1,065	1,065
Ulster A.1 per ton‖	1,065	1,065	1,065
BUTTER			
NZ per 20 lbs	12.51/12.62	11.41/11.52	11.41/11.52
English per cwt†	69.61/71.83	60.61	67.37
Danish salted per cwt†	72.10/75.88	71.50/75.88	69.50/72.40
CHEESE¶			
NZ per tonne	1,161.50	1,161.50	1,161.50
English cheddar trade per tonne	1,202.10	1,202.10	1,202.10
EGGS*			
Home produce:			
Size 4	2.50/3.40	—	3.10/3.60
Size 2	3.60/4.50	—	4.10/4.80
	June 8 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	53.0/57.0	54.0/57.0	53.0/57.0
Eire forequarters	30.0/32.0	30.0/35.0	—
LAMB			
English	54.0/62.0	64.0/70.0	66.0/76.0
NZ PLs-PMs	50.0/52.0	50.0/52.0	48.0/50.0
MUTTON—English ewes	—	—	—
PORK (all weights)	36.0/44.0	38.0/45.0	36.0/46.0
POULTRY—Broiler chickens	35.5/37.5	35.5/37.0	35.0/37.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. ‖ For delivery June 10-17.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (134)

AMERICANS (12)
CANADIANS (5)
BANKS (3)
BEERS (1)
BUILDINGS (6)
CHEMICALS (1)
DRAPERY & STORES (4)
ELECTRICALS (3)
ENGINEERING (9)
FOODS (2)
INDUSTRIALS (31)
MOTORS (4)
NEWSPAPERS (1)
PAPER & PRINTING (2)
PROPERTY (4)
SHIPPING (1)
SHOES (1)
SOUTH AFRICANS (1)
TEXTILES (3)
TRUSTS (18)
OILS (1)
OVERSEAS TRADERS (1)
RUBBERS (1)
TEAS (1)
MINES (18)

NEW LOWS (16)

BRITISH FUNDS (2)
Treas. 11½pc 1979 Treas. 9pc 1980
CORPORATION LOANS (1)
Glasgow 9½pc '80-82
BUILDINGS (2)
Francis (G. R.) Whatlings
ENGINEERINGS (2)
British Northrop GKN
INDUSTRIALS (3)
Photax (Lon.) UKO Intl.
Sunlight Services
MOTORS (1)
Dunlop
TEXTILES (1)
Bond Street Fabrics
TRUSTS (1)
Danae Cap.
OILS (2)
CCP N. Sea KCA
OVERSEAS TRADERS (1)
Borthwick (T.)

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	14	387	−3	396	328
Shell Transport	25p	14	558	−2	586	484
Grand Met.	50p	13	112	−2	117½	87
BATs Defd.	25p	10	281	−2	290	227
Distillers	50p	9	176	−5	187	163
Beecham	25p	8	645	−5	678	583
Western Mining	$A0.50	8	141	+6	142	84
Commercial Union	25p	7	147	−1	159	138
Imperial Group	25p	7	76½	−½	81	71½
Boots	25p	6	189	−3	231	184
BP	£1	6	870	−2	892	720
Courtaulds	25p	6	122	−2	131	109
GEC	25p	6	259	−1	278	233
Hawker Siddeley	25p	6	220	—	222	166
Marks & Spencer	25p	6	141	−3	160	135

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 7	Jun. 20	Aug. 31	Sep. 14
Jun. 20	July 4	Sep. 14	Sep. 28
July 14	July 18	Sep. 28	Oct. 12

For rate indications see end of Share Information Service

Money was given for the call in Lonrho, Spillers, UDT, Premier Consolidated Oil, Pauls and Whites, Coral Leisure, Bath and Portland, Caravans Int., Burmah Oil, P. & O. Deferred, Tarmac, Status Discount, CCP and Savoy Hotel A. Doubles were arranged in UDT, Queen's Moat Houses, P & O, deferred and English Property.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	64	5	7
Corpns. Dom. and Foreign Bonds	22	1	42
Industrials	216	465	860
Financial and Prop.	59	175	286
Oils	8	15	11
Plantation	3	5	26
Mines	53	16	54
Recent Issues	5	4	19
Totals	430	686	1,305

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
75	F.P.	—	96	85	Bramall (C.D.)	91	......	[illegible]	4.5	3.1	7.5 / 5.4
100	F.P.	5/7	161	143	Burndene	155	+6	[illegible]	2.4	5.6	10.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Amer. Express Int. Fin. Variable 83	99¾	......
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Armitage ... 10½% 2nd Cum. Pref.	107½	......
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] 12½% Red. 1997	[illegible]	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] Conv. Cum. Red. Pref.	[illegible]	......
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] Cum. Pref.	[illegible]	+1¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Kent Water 7% Red. Pref. 1983	[illegible]	......
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	......
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Liberty & Co. 9½% Pref.	97½	......
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible] 7% Cum. Pref.	[illegible]	......
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1¼
£100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	......
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Tyne & Wear 12% Red. 1986	[illegible]	......
[illegible]	F.P.	16/6	[illegible]	[illegible]	Wade Potteries 10% Pref.	100	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Brent Chemicals	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Brown Boveri Kent	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Central Manufacturing	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Dobson Park Inds.	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Howden (Alexander)	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Lowndes [illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., June 8, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Wed. June 7 Index No.	Tues. June 6 Index No.	Mon. June 5 Index No.	Fri. June 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	213.40	−0.7	17.62	5.62	7.92	214.94	215.07	214.03	214.16	177.66
2	Building Materials (28)	188.41	−1.2	18.24	5.76	7.83	190.72	190.34	190.21	190.15	148.89
3	Contracting, Construction (26)	348.79	−0.8	19.72	3.91	7.37	351.55	351.09	346.25	344.81	253.68
4	Electricals (15)	449.36	−0.6	15.28	3.95	9.26	452.07	453.39	450.02	450.55	338.45
5	Engineering Contractors (14)	316.24	−0.5	18.63	6.45	7.27	317.87	319.04	318.10	319.58	252.65
6	Mechanical Engineering (71)	174.12	−0.5	18.40	6.10	7.41	174.94	175.12	174.58	174.45	161.96
8	Metals and Metal Forming (17)	162.61	−0.9	17.54	8.62	7.79	164.05	163.81	163.33	164.25	150.46
	CONSUMER GOODS										
11	(DURABLE) (52)	195.06	−1.2	17.10	4.90	8.23	197.37	196.89	195.88	195.89	164.55
12	Lt. Electronics, Radio TV (15)	227.53	−1.7	15.39	3.80	9.16	231.49	230.60	229.11	228.99	184.28
13	Household Goods (12)	178.33	+0.3	16.14	6.34	8.51	177.78	177.06	177.75	177.48	162.46
14	Motors and Distributors (25)	124.62	−0.7	19.85	6.19	7.11	125.52	125.51	124.86	125.02	109.42
	CONSUMER GOODS										
21	(NON-DURABLE) (175)	199.98	−1.3	16.03	5.85	8.46	202.59	202.86	202.26	202.78	167.09
22	Breweries (14)	229.19	−1.7	14.88	5.91	9.66	233.08	234.50	234.72	234.69	176.10
23	Wines and Spirits (6)	252.70	−2.3	16.01	5.70	9.48	258.76	258.95	259.98	259.92	188.47
24	Entertainment, Catering (17)	257.77	−1.6	13.66	6.62	10.56	261.88	262.46	261.05	261.27	210.23
25	Food Manufacturing (22)	194.77	−0.9	19.99	5.70	6.62	196.48	196.11	195.11	194.81	174.12
26	Food Retailing (15)	197.82	−1.6	14.77	5.08	9.42	201.07	200.07	199.72	200.80	167.26
32	Newspapers, Publishing (13)	371.68	−0.9	10.64	3.34	13.47	375.23	376.69	370.18	367.73	298.09
33	Packaging and Paper (15)	132.52	−0.5	20.06	7.98	6.57	133.14	131.52	130.26	130.72	120.33
34	Stores (38)	177.14	−1.7	11.90	4.60	12.33	180.12	180.57	179.65	180.33	143.97
35	Textiles (25)	180.04	−0.9	17.24	7.69	7.63	181.69	183.63	180.76	181.87	168.23
36	Tobaccos (3)	249.81	−0.6	22.13	7.49	5.37	251.39	253.46	255.44	257.79	217.32
37	Toys and Games (6)	107.55	+0.2	19.68	5.81	6.65	107.38	107.21	107.18	108.02	98.58
41	OTHER GROUPS (97)	197.14	−0.9	16.47	5.79	7.96	198.85	199.64	198.65	199.27	178.13
42	Chemicals (19)	281.55	−1.1	17.71	6.20	7.67	284.69	285.99	283.72	285.07	248.79
43	Pharmaceutical Products (7)	256.60	−0.8	11.54	3.99	10.83	258.65	259.38	258.94	260.16	[illegible]
44	Office Equipment (6)	133.60	−1.6	17.93	4.86	6.60	135.81	137.11	134.66	134.98	100.11
45	Shipping (10)	430.20	−0.4	19.45	7.32	6.26	431.75	442.23	439.08	432.39	507.82
46	Miscellaneous (55)	203.11	−0.6	17.37	6.39	7.75	204.25	203.94	203.85	204.73	175.10
49	INDUSTRIAL GROUP (495)	209.07	−1.0	16.60	5.71	8.18	211.26	211.58	210.72	211.16	178.45
51	Oils (5)	493.72	−0.3	14.95	4.00	7.25	495.33	496.98	490.89	494.08	491.72
59	500 SHARE INDEX	232.61	−0.9	16.35	5.45	8.02	234.79	235.21	233.96	234.60	203.71
61	FINANCIAL GROUP (100)	162.44	−1.2	—	5.75	—	164.36	164.79	163.91	164.16	136.06
62	Banks (6)	187.68	−1.5	25.22	5.74	6.00	190.62	189.29	188.56	189.90	151.95
63	Discount Houses (10)	199.13	+0.2	—	8.56	—	198.72	198.35	198.50	198.58	163.86
64	Hire Purchase (5)	140.22	−0.8	13.95	5.85	10.61	141.34	140.60	140.60	143.06	126.76
65	Insurance (Life) (10)	134.87	−1.9	—	6.75	—	137.49	137.89	137.18	137.68	107.17
66	Insurance (Composite) (7)	123.64	−1.2	—	6.90	—	125.18	126.08	124.70	124.48	109.84
67	Insurance Brokers (10)	324.13	−1.4	14.38	4.84	9.95	328.77	330.34	329.92	329.01	289.49
68	Merchant Banks (14)	80.10	−1.2	—	6.08	—	81.09	81.63	81.63	81.28	69.33
69	Property (31)	234.79	−0.2	3.05	3.15	59.53	235.32	238.15	236.93	236.63	188.04
70	Miscellaneous (7)	108.13	−0.3	24.28	7.46	5.70	108.50	108.03	108.03	107.86	88.91
71	Investment Trusts (50)	208.81	−0.5	3.25	4.76	30.79	209.91	209.29	207.49	207.80	170.23
81	Mining Finance (4)	102.07	−0.1	16.93	6.82	7.13	102.12	100.36	100.50	100.77	94.31
91	Overseas Traders (19)	311.33	−0.8	16.34	6.64	7.49	313.86	312.91	310.79	313.99	276.87
99	ALL-SHARE INDEX (673)	214.43	−0.9	—	5.52	—	216.43	216.71	215.54	216.11	186.07

FIXED INTEREST PRICE INDICES

	British Government	Thurs. June 8	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.18	+0.28	0.40	4.51
2	5-15 years	113.91	+0.78	0.79	4.54
3	Over 15 years	119.79	+0.96	0.18	5.65
4	Irredeemables	123.47	+0.54	—	6.30
5	All stocks	112.03	+0.65	0.37	4.96

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Thurs. June 8	Wed. June 7	Year ago (approx.)
1	Low Coupons	5 years	8.91	8.99	7.76
2		15 years	11.06	11.19	11.25
3		25 years	11.71	11.83	12.36
4	Medium Coupons	5 years	11.39	11.54	10.28
5		15 years	12.25	12.39	12.01
6		25 years	12.41	12.56	12.75
7	High Coupons	5 years	11.58	11.81	11.15
8		15 years	12.75	12.87	13.23
9		25 years	13.10	13.22	13.49
10	Irredeemables		11.87	11.93	12.52

		Thurs., June 8 Index No.	Thurs., June 8 Yield %	Wed. June 7	Tues. June 6	Monday June 5	Friday June 2	Thurs. June 1	Wed. May 31	Tues. May 30	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.72	†13.08	57.11	57.14	57.22	57.27	57.34	57.34	57.55	55.37
16	Investment Trust Prefs. (15)	52.53	13.50	52.23	52.23	52.23	52.91	52.91	52.91	51.75	51.31
17	Coml. and Indl. Prefs. (20)	71.34	13.00	71.57	71.49	71.52	71.52	71.56	71.72	71.79	70.18

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

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هكذا من الأصل

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hill Samuel	§ 9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co.	† 9 %
American Express Bk.	9 %	Julian S. Hodge	10 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
A P Bank Ltd.	9 %	Industrial Bk. of Scot.	9 %
Henry Ansbacher	9 %	Keyser Ullmann	9 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	11½%
Bank of Credit & Cmce.	9 %	Lloyds Bank	9 %
Bank of Cyprus	9 %	London Mercantile	9 %
Bank of N.S.W.	9 %	Edward Manson & Co.	10½%
Banque Belge Ltd.	9 %	Midland Bank	9 %
Banque du Rhone	9½%	■ Samuel Montagu	9 %
Barclays Bank	9 %	■ Morgan Grenfell	9 %
Barnett Christie Ltd.	9½%	National Westminster	9 %
Bremar Holdings Ltd.	10 %	Norwich General Trust	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9 %
■ Brown Shipley	9 %	Rossminster Accept'cs	9 %
Canada Perm't Trust	9 %	Royal Bk. Canada Trust	9 %
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	9 %
Cayzer Ltd.	9½%	E. S. Schwab	10½%
Cedar Holdings	9½%	Security Trust Co. Ltd.	10 %
■ Charterhouse Japhet	9 %	Shenley Trust	11 %
Choulartons	9 %	Standard Chartered	9 %
C. E. Coates	10 %	Trade Dev. Bank	9 %
Consolidated Credits	9 %	Trustee Savings Bank	9 %
Co-operative Bank	* 9 %	Twentieth Century Bk.	10 %
Corinthian Securities	9 %	United Bank of Kuwait	9 %
Credit Lyonnais	9 %	Whiteaway Laidlaw	9½%
The Cyprus Popular Bk.	9 %	Williams & Glyn's	9 %
Duncan Lawrie	§ 9 %	Yorkshire Bank	9 %
Eagil Trust	9 %		
English Transcont.	10 %		
First London Secs.	9 %		
First Nat. Fin. Corpn.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank	‡ 9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%, 1-month deposits 6¼%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6½%, and over £25,000 6¾%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6¼%.
¶ Rate also applies to Sterling Ind. Securities.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ϕ. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101
Index Guide as at 7 June, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	126.93
Clive Fixed Interest Income	112.91

CORAL INDEX: Close 468-473

INSURANCE BASE RATES

†Property Growth	9¼%
†Vanbrugh Guaranteed	9.50%

†Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1978 High	Low	Stock	£	+ or –	Yield Int.	Red.
34¾	33	Conv. 3½pc 61 Aft	34	+¼	10.50	—
25⅝	25⅛	Treasury 3pc 66 Aft	24½	+¼	12.72	—
21½	19¾	Consols 2½pc	20½xd	–⅛	12.31	—
21	19¼	Treasury 2½pc	20¼	–¼	12.64	—

**INTERNATIONAL BANK

88	82½	5pc Stock 77-82	83	......	6.02	10.06

**CORPORATION LOANS

95¼	94	Birm'ham 9¾pc 79-81	94½	+½	9.79	11.34
92¼	90	Bristol 7¾pc 79-81	90	......	8.71	11.73
107	100¼	G.L.C. 12½pc '82	101	......	12.38	12.16
112	103¾	Do. 12½pc 1983	104¼	–½	12.38	12.23
97¼	91½	Glasgow 9¼pc '80-82	91½	–¼	10.11	11.76
93	90¼	Herts. 5½pc '78-80	90¾	......	5.79	10.58
99	97⅞	Liverpool 5½pc '76-78	98¼	......	5.82	9.56
102½	90½	Do. 9¾pc '80-84	93	+½	10.53	11.48
29¼	25¾	Do. 3½pc Irred.	26½xd	–½	13.71	—
100	99	Lon. Corp. 6½pc '75-78	99¼	......	6.54	9.66
99¼	91	Do. 9¼pc '84-85	93	–½	10.11	10.95
97¼	94¼	L.C.C. 6pc '76-79	95¼	......	6.30	10.22
92½	85¼	Do. 5½pc '77-81	85½	......	6.45	10.95
87½	79½	Do. 5½pc '82-84	79½	+½	7.10	10.59
67½	65¾	Do. 5½pc '85-87	67xd	–¼	8.19	11.41
75	68½	Do. 6¾pc '88-90	69	......	10.18	12.13
26½	22½	Do. 3pc '20 Aft.	23½	+¼	12.96	—
92¼	91	Middx. 5¼pc 1980	91	......	5.77	10.91
99	95¼	Newcastle 9¾pc '78-80	95¼	......	9.71	11.65
106¼	101½	Warwick 12½% 1980	101½	......	12.32	11.71

COMMONWEALTH & AFRICAN LOANS

100⅛	95½	**Aust. 5½pc '75-78	99¼	–¼	5.56	8.84
95¼	92¾	**Do. 5½pc '77-80	93xd	–⅛	5.88	10.02
87¼	82¾	**Do. 5½pc '81-82	83½	+¼	6.66	11.19
99½	96¼	**N.Z. 4pc 1976-78	97¼xd	+⅛	4.11	9.16
96½	92¾	**Do. 6pc '76-80	94	+½	6.49	10.82
87¼	81¼	**Do. 7¾pc '83-86	82½xd	–¾	9.06	10.74
95	91	Sth. Africa 9½pc '79-81	94¾	–½	10.11	11.65
70	52	Sth. Rhod. 2½pc '65-70	53	......	—	—
96	81	Do. 6pc '78-81	82	......	—	—

LOANS

Public Board and Ind.

64½	58½	Agric. Mt. 5pc '59-89	59xd	......	8.43	11.62
90½	80¼	Alcan 10½pc '89-94	81xd	......	12.96	13.40
35¼	28½	**Met. Wtr. 3pc 'B'	29¼	+¼	10.53	12.21
139	107	C.S.M.C. 9pc 1982	136xd	......	6.62	—
95½	83	Do. without Warrants	88xd	......	10.23	12.80

Financial

107¼	102	**FFI 13pc '81	102¼	–¼	12.72	11.96
110	102	Do. 14pc '79	103	......	13.59	11.40
114½	102½	Do. 14pc '83	103xd	–¼	13.49	13.02
85	79½	ICFC 5½pc Deb. '80-82	81	......	6.91	11.40
81½	73¾	Do. 6¼pc Db. '81-84	75	......	8.40	12.00
99	89½	Do. 10¾pc Uns.Ln. '88	90½	+1	12.23	13.30
99¼	90½	Do. 11pc Uns.Ln. '88	90½	......	12.81	13.60
101½	90½	Do. 11¾pc Uns.Ln. '90	92	+½	13.55	14.00
71½	65	Do. 7¼pc A Deb. '89-92	66	......	11.01	12.40
71½	62	Do. 7¼pc A Db. '91-94	62½	......	11.95	13.20
84½	73¼	Do. 9pc 'A' '91-94	73¾	......	12.58	13.50
81¼	70½	Do. 8¾pc Ln. '92-97	71	–½	13.10	13.60

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
19½	17	Antofagasta Rly.	19	......	—	—
34	33	Do. 5pc Pref.	33xd	......	—	—

BONDS & RAILS—Cont.

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
375	265	Japan 4pc '10 Ass.	360xd			
87	70	Do. 6pc '83-88				11.20
160	145	Peru Ass. 3pc	155		3	1.95
75p	75p	S.G.I. 6½pc 1980	75p		6½	8.67
99	94½	Turin 9pc 1991	594½		9	9.52
DM91p	81	Turin 6½pc 1984	DM91p		6½	10.78
95	94	Uruguay 3½pc.	95		3½	4.00

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

CANADIANS

1978 High	Low	Stock	Price	+ or –	Div. Gross	Cvr	Y'ld Gr's
15⅜	10¼	Bk. Montreal $2	15⅜	+¼	$1.06	—	3.1
16⅝	10⅞	Bk. Nova Scotia $1	15⅞	+⅛	96c	—	2.9
42⅝	30¼	Bell Canada $25	42⅝	+⅛	$4.2	—	4.6
22	12	Bow Valley‖	21⅞xd	+⅛	12½c	—	0.0
12⅛	825p	Brascan‖	12	+⅛	$1.10	—	4.5
21⅞	14	Can. Imp. Bk. $2	21⅛xr	+⅛	$1.44	—	3.2
14⅝	955p	Can. Pacific $5	13⅞	+⅛	97c	—	3.3
37½	30⅝	Do. 4pc Deb. £100	30¾	......	4%	—	13.0
21⅞	16⅝	Gulf Oil Can.‖	19¼	+⅛	$1.14	—	2.8
570p	315p	Hawker Sid. Can.‖	570p	......	40c	—	3.3
24⅞	16⅞	Hollinger $5	24⅛	......	$2.06	—	4.0
14⅞	11¼	Hudson's Bay ‖	14⅛	+⅛	69c	—	2.2
32¼	24⅞	Hud. B. Oil G. $2½	30⅛	–¼	$1.60	—	2.5
14⅞	11⅛	Imperial Oil‖	13½	+⅛	86.4c	—	3.0
15⅛	945p	Inco	14½	–⅛	80c	—	2.6
775p	585p	Int. Nat. Gas $1	770p	......	80c	—	4.9
10⅛	610p	Massey Ferg.‖	945p	–15	—	—	—
28⅞	21½	Pacific Pet. $1	25¼	–⅛	91.6c	—	1.7
74p	50p	Place Gas $1	72p	......	—	—	—
23⅞	15	Rio Algom	23⅞	+⅛	$1.08	—	2.1
24⅞	14⅞	Royal Bk. Can. $2	24⅛	+⅛	$1.50	—	2.8
20⅞	13⅞	Seagram Co. C$1	20⅞	+⅛	92c	—	2.1
14⅞	955p	Tor. Dom. Bk. $1	14⅞	......	80c	—	0.0
11⅞	880p	Trans Can. Pipe	11⅛	......	103c	—	4.4

S.E. List Premium 48¾% (based on $2.0450 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's	P/E
298	186	ANZ $A1	298	+6	tQ12.8c	—	2.7	—
293	210	Alexanders D. £1	240	......	14.33	—	9.0	—
£133	£90½	Algemene Fl.100	£129½	+¼	Q23%	2.5	4.5	9.3
334	269	Allen Harvey £1	300	......	h19.2	—	9.7	—
187	150	Allied Irish	187	......	7.5	—	6.1	—
165	155	Arbuthnot L. £1	158	......	†9.25	—	8.9	—
£20½	£13¼	Bank Amer. $1.565	£19⅞	–¼	Q94c	—	2.7	—
377	315	Bk. Ireland £1	375xd	+2	15.00	—	6.1	—
£171	£137	Do. 10pc Conv.	£170	......	Q10%	—	f6.0	—
21	15	Bk. Leumi I£1	18	......	Q16%	—	2.9	—
170	160	Bk. Leumi (UK)£1	160	......	7.36	1.5	7.0	14.3
570	380	Bk. N.S.W. $A2	570	+8	†Q30c	—	3.3	—
315	255	Bank Scotland £1	292	......	10.89	3.6	5.7	7.5
£32¼	£21⅞	Bankers N.Y. $10	£30	+¼	Q$3.00	—	5.7	—
358	296	Barclays £1	325	–5	11.13	5.3	5.2	5.5
230	200	Brown Shipley £1	230	......	9.27	—	6.3	—
312	265	Cater Ryder £1	290xd	......	19.33	—	10.1	—
84	70	Clive Dis'nt 20p	78	+1	4.78	—	9.7	—
*230	171	Com'l Aus. ($A1)	220	+3	tQ16c	2.6	4.5	8.6
*£19	£12¼	Com'zbk DM100	£17¼	+¼	Q18%	—	2.7	—
£18⅛	£15	Chgn. Hbk. Kr100	£17¼	......	Q12%	—	6.7	—
25	18	Corinthian 10p	21	......	0.7	—	5.0	—
£22½	£13¾	Cred. France F75	£21¾	......	Q9.87%	—	2.9	—
*71	32	Dawes (G. R.)	40	......	—	—	—	—
£123	£90	Deutsche Bank DM50	£114¼	......	Q18%	—	2.0	—
83	58	F. C. Finance	58	......	2.00	♦	5.2	♦
3¼	1¾	First Nat. 10p	2¼	......	—	—	—	—
1	½	Do. Wrrts. 75-83	⅝	......	—	—	—	—
12½	10¼	Fraser Ans. 10p	11¼	......	0.03	—	0.4	—
196	157	Gerrard Natnl.	173	......	8.17	—	7.2	—
50	37	Gibbs (A.)	47	......	2.20	—	7.1	—
255	195	Gillett Bros. £1	200	......	15.18	—	11.5	—
29	19	Goode D't Mry. 5p	23	......	0.13	—	0.8	—
120	96	Grindlays	97	–1	2.75	7.2	4.3	3.4
243	185	Guinness Peat	240	......	†10.0	—	6.3	—
217	158	Hambros	187	......	†9.52	—	7.7	—
100	81	Hill Samuel	87	–2	†4.32	—	7.5	—
600	425	Do. Warrants	462	......	—	—	—	—
293	203	Hong Shng. $2.50	293	+6	hQ59c	—	2.4	—
86	65	Jessel Toynbee	73	......	4.09	—	8.5	—
190	160	Joseph (Leo) £1	190	......	†8.01	—	6.4	—
52	37	Keyser Ullmann	51xd	–1	0.66	—	2.0	—

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